Tree Island Wire Income Fund

Annual Information Form

March 15, 2011

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FORWARD LOOKING STATEMENTS

This Annual Information Form ("AIF") includes forward-looking information with respect to Tree Island Wire Income Fund (the "Fund") and Tree Island Industries Ltd. ("Tree Island" or the "Company"), including their business, operations and strategies, as well as financial performance and conditions. The words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "estimate", "expect", and similar expressions are often used to identify forward looking statements. These statements relate to future events or future performance and reflect management's expectations or beliefs regarding future events, and include, but are not limited to, statements regarding: (i) business and economic conditions; (ii) the Fund's growth, results of operations, performance and business prospects and opportunities; and (iii) the Fund's ability to execute its strategy. Any statements that are contained herein that are not statements of historical fact may be deemed to be forward-looking statements. Although management believes that expectations reflected in forward-looking statements are reasonable, such statements involve risks and uncertainties including the risks and uncertainties discussed under the heading "Risk Factors".

By their very nature, forward looking statements involve inherent risks and uncertainties, both general and specific, and a number of factors could cause actual events or results to differ materially from the results discussed in the forward looking statements. In evaluating these statements, prospective purchasers should specifically consider various factors including the risks outlined herein under the heading "*Risk Factors*" which may cause actual results to differ materially from any forward looking statement. Such risks and uncertainties include, but are not limited to: general economic conditions and markets, risks associated with operations such as competition, dependence on the construction industry, market conditions for our products, supplies of and costs for our raw materials, dependence on key personnel, labour relations, regulatory matters, environmental risks, the successful execution of acquisition and integration strategies and other strategic initiatives, foreign exchange fluctuations, the effect of leverage and restrictive covenants in financing arrangements, the cost and availability of capital, the possibility of deterioration in our working capital position, the impact on liquidity if we were to go offside of covenants in our debt facilities, the impact that changes in supplier payment terms or slow payment of accounts receivable could have on our liquidity, product liability, the ability to obtain insurance, energy cost increases, changes in tax legislation, other legislation and governmental regulation, changes in accounting policies and practices, operations in a foreign country, and other risks and uncertainties set forth in our publicly filed materials.

The forward looking statements contained herein reflect management's current beliefs and are based upon certain assumptions that management believes to be reasonable based on the information currently available to management. Such assumptions include, but are not limited to, assumptions regarding: (i) general economic conditions; (ii) the expected actions of third parties; (iii) the Fund's future growth prospects and business opportunities; (iv) raw material costs; (v) foreign exchange rates; and (vi) growth in the Canadian and US housing markets.

Should one or more of the risks or uncertainties identified herein materialize, or should the assumptions underlying the forward looking statements prove to be incorrect, then actual results may vary materially from those described herein.

This AIF has been reviewed by the Fund's board of trustees, and its Audit Committee, and contains information that is current as of the date of this AIF, unless otherwise noted. Events occurring after that date could render the information contained herein inaccurate or misleading in a material respect. Readers are cautioned not to place undue reliance on this forward-looking information and management of the Fund undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise except as required by applicable securities laws.

NON-GAAP MEASURES

References in this AIF, and any documents incorporated by reference herein, to "EBITDA" are to operating profit plus depreciation. EBITDA is a measure used by many investors to compare issuers on the basis of ability to generate cash flows from operations. EBITDA is not an earnings measure recognized by Canadian generally accepted accounting principles (“GAAP”) and does not have a standardized meaning prescribed by GAAP. The Fund believes that EBITDA is an important supplemental measure in evaluating the Fund’s performance. You are cautioned that EBITDA should not be construed as an alternative to net income or loss determined in accordance with GAAP as indicators of performance or to cash flows from operating, investing and financing activities as measures of liquidity and cash flows. Our method of calculating EBITDA may differ from methods used by other issuers and, accordingly, our EBITDA may not be comparable to similar measures presented by other issuers.

References in this AIF, and documents incorporated by reference herein, are made to “Standardized Distributable Cash” and "Adjusted Distributable Cash” which are not recognized measures under GAAP and do not have standardized meanings prescribed by GAAP. Canadian open-ended income trusts, such as this Fund, use Standardized Distributable Cash and Adjusted Distributable Cash as indicators of financial performance and ability to fund distributions. Standardized Distributable Cash is defined as net cash from operating activities less all capital expenditures. Adjusted Distributable Cash is defined as Standardized Distributable Cash plus the change in non-cash operating assets and liabilities, plus non-maintenance capital expenditures, plus for the period ended December 31, 2006, pre-tax proceeds on the sale of a property option, (the tax provision for these proceeds on sale is included in the net cash provided from operating activities) plus for 2009 the proceeds on the sale of surplus land (taxable gain offset by tax operating losses). Changes in non-cash operating assets and liabilities and non-maintenance capital expenditures are added back in the calculation of Adjusted Distributable Cash because they are funded through the Fund’s committed credit facilities. Maintenance capital expenditures are defined as cash outlays required to maintain plant and equipment at current operating capacity and efficiency levels. Non-maintenance capital expenditures are defined as cash outlays required to increase business operating capacity or improve operating efficiency, and are also referred to as profit improvement capital.

Adjusted Distributable Cash may differ from similar computations as reported by other entities and, accordingly, may not be comparable to distributable cash as reported by such entities. The Fund believes that in addition to net income, Adjusted Distributable Cash is a useful supplemental measure that may assist investors in assessing the return on their investment in Units.

GLOSSARY OF TECHNICAL AND TRADE TERMS

The following technical and trade terms are used in this AIF:

Annealed Wire	Annealing is a process where drawn bright wire is baked in a furnace which drops the tensile strength by reducing the stress in the carbon molecules in the steel. The finished annealed wire is pliable and easy to bend by hand. This type of wire is offered in different gauge sizes, usually from 9 gauge to 16 gauge. This product is used in tying applications where both strength and pliability are important.
Hi Tensile Baling Wire	A commercial coating of zinc is applied in a hot dipped process to drawn bright wire produced from high carbon rod. The product is used by pulp mills or recyclers for strapping together bales of finished pulp or recyclable waste.
Barbed Wire	A type of agricultural fencing normally used to contain livestock. This product consists of two strands of either low or high carbon galvanized wire twisted and held with sharp barbs tightly fastened to the strand wires at regular intervals. It is offered in either 12 ½ gauge or 15 gauge wire. The product is produced on reels that contain a quarter mile of wire.
Bright Basic Wire	Bright wire is produced by cleaning and drawing either high carbon or low carbon wire rod to specified sizes and tensile strengths. These products are generally sold to manufacturers of products such as wire hangers, nails, wire shelving, oven racks and mesh products.
Bulk Nails	Nails that are cut and headed from drawn wire and packaged, usually in 50 pound boxes, for sale. Nails are loose and are used for general purposes such as framing houses, installing roofing material, hanging siding or any other type of wood-to-wood fastening.
Cold Drawn Finished Bar	This is bright wire that is drawn to size and then straightened and cut to length. If required the cut lengths of bar can be ground to produce a precise diameter and consistent surface finish.
Cold Heading Quality Wire	This is bright wire manufactured from specialty grades of steel that is drawn to size and then heat treated in a controlled atmosphere to produce a ductile wire suitable for cold forming. The material is sold to OEM manufacturers of cold formed fasteners and components used in the automobile and aerospace industries.
Collated Nails	Nails that are driven with pneumatic tools (nail guns). Nails are manufactured to demanding tolerances and then fastened together in either a strip or coil using plastic, paper tape or welded wire to hold the nails in place. The strips or coils are loaded into the magazines of the nail guns and are driven into the wood using compressed air.
Galvanized Wire	Both low carbon and high carbon bright wire are coated in zinc by a hot dipped process. The amount of zinc applied to the wire is matched to suit the intended application of the wire. The zinc coating acts as a sacrificial barrier to prevent oxidation of the underlying bright steel wire. This product is sold to industrial users for production of variety of wire products, such as fencing and stucco netting, where rust protection is important.

Plating Quality Wire	Plating quality wire is available in a wide variety of sizes and is similar to bright basic wire except for additional cleaning and drawing processes that result in a defect free surface on the finished product. These products are sold to manufacturers of products that are electroplated such as wire shelving and racks
Spring Wire	Bright wire that is produced from high carbon rods in various gauge sizes from 6 gauge to 18 gauge. This wire is used to form springs and frames for bedding and furniture.
Stainless Steel Wire	Stainless steel wire is drawn from hot-rolled stainless steel rod. The metallurgy of this raw material is specified to suit the requirements of the intended finished products including spring wire, lashing wire, cold-heading wire and cold-finished bar for use in a variety of applications. Stainless steel wire is produced in a broad range of sizes.
Stucco Reinforcing Mesh	A welded or woven steel mesh made from low carbon, galvanized wire. Wires are 16, 17 ½, or 20 gauge. These products are designed to hold stucco (concrete) siding on a vertical, exterior wall usually in housing. Stucco reinforcing mesh adds strength to stucco, provides attachment to the wall, and helps prevent cracking, similar to concrete reinforcing mesh. Stucco mesh has a dimple (furring) built into the mesh, which holds the fabric approximately 3/8" away from the wall to enable the mesh to be properly embedded in the stucco.
Vinyl Coated Wire	A thin (commercial weight) zinc coating is applied in a hot dipped process to low carbon bright wire which is then coated with polyvinyl chloride (“PVC”) by an extrusion method. PVC material can be produced in a wide variety of colors. This product is primarily used in the chain link fence industry.
Welded Wire Reinforcement Mesh	Low carbon steel wire that is welded at intersections to produce a steel wire grid. The grid or mesh is designed to reinforce concrete that is poured in place. Dried concrete cracks as it sets; the reinforcing mesh holds the cracks together to prevent failure of the concrete structure. This product is offered in either flat sheets or rolls in a variety of lengths and widths and can be either bright or galvanized in its finish.

CORPORATE STRUCTURE

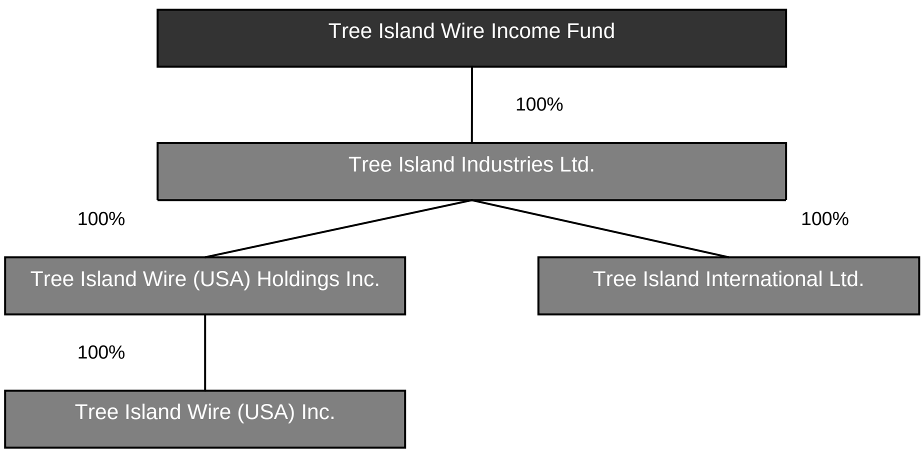
Name and Organization

The Fund is an unincorporated open ended, limited purpose trust created under the laws of British Columbia pursuant to a declaration of trust (the "Declaration of Trust") dated September 30, 2002, as amended and restated. The Fund holds a 100% ownership interest in Tree Island, a company incorporated under the laws of British Columbia.

The Company's subsidiaries, Tree Island Wire and Tree Island Wire (USA) Holdings, Inc. are incorporated under the laws of the state of Delaware and Tree Island International Ltd. ("Tree Island International") is incorporated under the laws of Hong Kong. The Fund's principal office is located at 3933 Boundary Road, Richmond, British Columbia V6V 1T8. TI Industries Inc., the principal predecessor of the Company, was incorporated under the laws of British Columbia on April 28, 1997.

Intercorporate Relationships

The structure of the Fund is as follows:



GENERAL DEVELOPMENT OF THE BUSINESS; THREE YEAR HISTORY AND SIGNIFICANT ACQUISITIONS

2010 Overview and 2011 Outlook

The ongoing weakness in our major markets in the US continued to negatively impact our results. Our sales in the US made up 55.2% of our total revenues in 2010. The key US Census Bureau Western Region housing starts for 2010, shows starts that were at the second lowest annual level since 1959 and continues to demonstrate signs of weakness. This low level of housing starts and the general economic uncertainty in the US, together with high levels of underutilized capacity continues to create competitive pricing pressures, which negatively impacts demand from our major end markets. Despite these poor market conditions, we maintained our focus on profitability, managing working capital and control on overall costs which has led to improved results on a year-over-year basis.

For the year ended December 31, 2010, the Fund reported revenue of $132.4 million, compared to $165.6 million during the same period in 2009 and sales volumes of 99,376 tons, compared to 136,198 tons in 2009. Gross profit however improved from a loss of $25.0 million to positive $6.4 million, while gross profit per ton also increased from a loss of $184 per ton, to a profit of $65 per ton. The improvement in gross profit, together with the ongoing focus on cost management, resulted in EBITDA for FY2010 to improve by $38.8 million to an EBITDA of negative $0.1 million versus an EBITDA loss of $38.9 million during the same period last year.

Going forward, certain of the Fund's key end markets continue to be stalled with little or negligible signs of recovery. However, when compared to 2009, the Fund's financial condition is improved. Raw material costs have increased since December 2010 driven by increased input costs for North American steel suppliers and constrained supply. In response Tree Island and its competitors have announced price increases in 2011. In the current market there can be no certainty that the increases will be fully recovered. While we cannot control the external forces that impact our business, we will continue to respond to the difficult market conditions and focus on working capital, cost control, margins and market share.

Financing and Recapitalization

Amendment of Forbearance Agreements with Trade Creditors

The Fund, through its operating subsidiaries, entered into forbearance and payment agreements dated November 25, 2009 (the "Forbearance Agreements") with its significant trade creditors, and their insurers, pursuant to which the Fund restructured approximately $40.4 million owing under certain purchase contracts through deferred payment arrangements extending to December 31, 2013, referred to in the Financing and Recapitalization note below. In the first quarter of 2011, these Forbearance Agreements were amended whereby the payments due in 2011 were reduced to the same amount as that paid in 2010 and the term of the Forbearance Agreements extended for one year with reductions in certain of the monthly payments during the period. The principal payments in terms of the original and amended Forbearance Agreements are as follows:

Annual Payments of Principal in Terms of Forbearance Agreements

Year	Amended Agreement March 4, 2011	Original Agreement November 25, 2009
2011	2,387	4,774
2012	4,774	15,494
1013	13,099	15,522
2014	15,530	-
	35,790	35,790

Interest on the deferred payments accrues at the rate of 7% per annum, calculated and compounded annually on November 30 of each year starting in 2010. All payments under the Forbearance Agreements are subject to deferral provisions in accordance with the terms thereof. The Forbearance Agreements and Amendments are available on SEDAR at www.sedar.com.

Further information concerning the Recapitalization Transaction can be found in the Fund's final prospectus dated December 17, 2009 filed on SEDAR at www.sedar.com.

New Senior Secured Lender

On March 25, 2010 the Fund entered into new senior revolving credit facilities. The three year, $35 million senior secured revolving credit facility, ("Senior Credit Facility") was led by Wells Fargo Capital Finance Corporation (Canada) ("Wells Fargo"), formerly Wachovia, Capital Finance Corporation (Canada) ("Wachovia") and replaces the Fund's credit facilities with GE. Under the terms of the Senior Credit Facility, up to $35 million may be borrowed for operating requirements in Canadian and US currency. Interest is charged at variable rates based on the Canadian and/or US prime rate and the Canadian B.A. and/or Euro dollar rate. The amount advanced under the Senior Credit Facility at any time is limited to a defined percentage of inventories and accounts receivable, less certain reserves. The Senior Credit Facility is secured by a first charge over the Fund's assets supported by the appropriate guarantees, pledges and assignments, and requires that certain covenants be met by the Fund. The Senior Credit Facility matures on March 25, 2013. The Credit Agreement is available on SEDAR at www.sedar.com. *See "Credit Facilities" section of this AIF*.

Recapitalization Transaction: Convertible Debentures, Private Placement and Rights Offering

On January 29, 2010, the Fund completed a recapitalization transaction (the "Recapitalization Transaction") by raising an aggregate $19,750,000 through the issuance of 10% second lien convertible debentures (the "Debentures"). The Recapitalization Transaction also included amendments to the GE credit agreements (the "GE Credit Agreements") underlying the Fund's senior credit facilities and forbearance agreements with certain of the Fund's trade creditors.

The $19,750,000 aggregate principal amount of Debentures was raised through (i) a private placement (the "Private Placement") of an aggregate principal amount of $9,750,000 Debentures and warrants ("Warrants") to purchase an aggregate of 4,875,000 Units to The Futura Corporation ("Futura"), Marret Asset Management Inc. ("Marret"), on behalf of certain investment funds managed by Marret, and Arbutus Distributors Ltd. ("Arbutus"); and (ii) a rights offering (the "Rights Offering") of $10,000,000 aggregate principal amount of Debentures to unitholders of the Fund. The Private Placement completed on November 26, 2009 and the Rights Offering completed on January 29, 2010.

The Debentures mature on November 26, 2014 and the principal amount outstanding under each Debenture is convertible into Units at $0.50 per Unit. The Debentures bear interest at an annual rate of 10% payable quarterly in arrears. The Debentures are posted for trading on the Toronto Stock Exchange (the "TSX") under the symbol TIL.DB. See "Description of the Fund – Debentures."

Each Warrant will entitle the holder to purchase, on or before November 26, 2014, one Unit at a price equal to $0.5687, subject to certain adjustments, including if the Fund subsequently issues Units in certain non-public offerings at a price that is less than 90% of the then-current market price of the Units. See "Description of the Fund – Warrants."

The net proceeds of the Rights Offering and the Private Placement were applied towards working capital, including the reduction of the amount of indebtedness owing under the Fund's revolving credit facilities.

Information concerning the Recapitalization Transaction can be found in the Fund's final prospectus dated December 17, 2009 and filed on SEDAR at www.sedar.com. *See "Description of the Fund" section of this AIF*

Raw Material Costs, Inventory Write down and Suspension of Cash Distributions

The price of wire rod began to increase in December 2009 and continued to increase through the first half of 2010 with North American steel suppliers announcing increases of up to 30%. The increase was driven by increased demand for raw materials, which drove up raw material costs, and by managed steel supply. In the third quarter of 2010 the price of wire rod continued to fluctuate as a result of weak demand and lower raw material costs for North American steel suppliers. In December 2010, driven by the high cost of scrap and constrained supply, the price of wire rod increased sharply and by February 2011 increases of up to 25% had been announced.

Sale and Remediation of Surplus Land

During the third quarter of 2009, we completed the sale of 12.5 acres of surplus lands at our Richmond, BC manufacturing facility for net proceeds of $8.7 million. The available proceeds of $8.7 million from the sale were used to reduce debt under the revolving credit facility.

The sale agreement contains a condition whereby $1.5 million of the sale price is held in trust and will be released upon providing a Certificate of Compliance for the environmental remediation to the purchaser. The Fund has the option of requesting to drawdown the $1.5 million holdback to cover environmental remediation costs incurred, as approved by the purchaser, prior to the issuance of the Certificate of Compliance to a maximum of $0.5 million. During the second quarter of 2010 the Fund began remediation of the surplus lands sold on July 2, 2009. The terms of sale required remediation to be completed within one year of the sale date. If remediation was not complete by the end of the one year period the purchaser could use any remaining funds to obtain the Certificate of Compliance. To date the purchaser has not exercised this option. Costs incurred up to December 31, 2010 amounted to approximately $0.6 million. The Fund is expecting to complete the remediation and obtain a Certificate of Compliance during 2011 and that the $1.5 million holdback will be sufficient to cover the costs of the remediation.

Cost Control and Operational Restructuring

In 2010 the Company vacated a portion of its Ontario, California facility used to store inventory, continued to tightly monitor and control our manufacturing costs and continued to strictly enforce a number of cost savings measures in response to ongoing weak economic conditions and tight credit markets. These measures include the decision not to pay bonuses under our variable compensation plan for management and staff, restrictions on staff salaries and the ongoing evaluation of operating costs in order to eliminate unnecessary expenditures.

Antidumping Duty Investigation

On June 16, 2008, the United States Department of Commerce (“DOC”) announced its final decision to impose anti-dumping duties on imports of steel nails from the People’s Republic of China (“China”). The determination requires any US importer of Chinese-produced steel nails with a shaft length up to 12 inches, excluding bulk and collated roofing nails, to post a bond equal to the duty percentage of the invoice price. The duties range between 0% and 118.0%, with the majority of producers in China subject to a 21.2% duty. The determination has had a positive impact on our business by stabilizing and partially restoring lost margins on domestic nails. This anti-dumping order is effective for five years and is subject to annual reviews, which can result in retroactive adjustment to the duty rate. Our Chinese manufacturing operations do not produce nails and are not affected by this action.

SIFT Rules

On June 22, 2007, Bill C-52, an Act to implement certain provisions of the budget tabled on March 19, 2007, received Royal Assent. Bill C-52 included the SIFT Rules, which significantly changed the taxation of most publicly-traded trusts and partnerships, including income trusts such as the Fund, and distributions and allocations from these entities to their unitholders (the "SIFT Rules"). No assurance can be given that Canadian federal income tax law respecting the taxation of SIFT trusts (a "SIFT Trust") will not be further changed in a manner that adversely affects the Fund and its Unitholders.

The SIFT Rules apply a tax on certain income (other than taxable dividends) earned by a SIFT trust, and would treat the taxable distributions of such income received by unitholders of a SIFT trust as dividends from a taxable Canadian corporation. Pursuant to the SIFT Rules, the Fund will constitute a SIFT trust and, as a result, the Fund and its Unitholders will be subject to the SIFT Rules. Transitional relief is provided such that the SIFT Rules generally do not apply until the 2011 taxation year for income trusts, such as the Fund, that would have been SIFT trusts on October 31, 2006 had the definition been in force and applied to the Fund on that date. However, the SIFT Rules will apply commencing January 1st of a taxation year ending after 2006 if the SIFT trust does not comply in that taxation year with the normal growth guidelines released by the Department of Finance (Canada) on December 15, 2006 as amended from time to time (the "Normal Growth Guidelines"), unless the excess growth arose as a result of a prescribed transaction.

The Normal Growth Guidelines provide guidance as to how much a SIFT trust can grow without jeopardizing its transitional relief. The Normal Growth Guidelines indicate that the deferral until 2011 will not be rescinded in respect of a SIFT trust whose equity capital grows as a result of issuances of new equity (or equity-like securities) before 2011 by an amount that does not exceed the greater of $50 million and an objective "safe harbour" amount that is based on a percentage of the SIFT trust's market capitalization on October 31, 2006. Market capitalization, for these purposes, is to be measured in terms of the value of the SIFT trust's issued and outstanding publicly-traded units. The Normal Growth Guidelines provide that a SIFT trust's "safe harbour" will be 40% of the October 31, 2006 market capitalization for the period from November 1, 2006 until the end of 2007 and will be 20% of that benchmark in each of 2008, 2009 and 2010. These safe harbour growth limits are cumulative such that any unused limit for a given period is carried over to the next period until the end of 2010 (while the $50 million annual growth limit for each period is not cumulative). For these purposes, new equity will generally include units, debt that is convertible into units and potentially other substitutes for such equity, but will generally not include new non-convertible debt or units that are issued on the exercise by a holder of exchange rights (applicable to exchangeable securities) that were in place on October 31, 2006.

On December 4, 2008, the Department of Finance (Canada) announced changes to the Normal Growth Guidelines to allow a SIFT trust to accelerate the utilization of the SIFT trust's annual "safe harbour" amount for each of 2009 and 2010 so that the "safe harbour" amount is available on and after December 4, 2008. This change does not alter the maximum permitted equity growth threshold for a SIFT trust, but it allows a SIFT trust to use its normal growth room remaining as of December 4, 2008 in a single year, rather than staging a portion of the normal growth room over the 2009 and 2010 taxation years.

The Fund's market capitalization as of the close of trading on October 31, 2006, having regard only to its issued and outstanding publicly-traded Units, was approximately $197 million, which means the Fund's "safe harbour" equity growth amount for the period ending December 31, 2007 was approximately $79 million, and for each of calendar 2008, 2009 and 2010 the minimum amount of $50 million would apply. The total amount of the Offering, all previous equity issuances and all currently contemplated issuances, determined in accordance with the Normal Growth Guidelines, should not cause the Fund to exceed its permitted "normal growth" threshold, as described above.

In 2009, new rules have been enacted to facilitate the conversion of SIFT trusts into corporations without undue income tax consequences (generally effective for conversions that occur after July 13, 2008 and before 2013).

Once the Fund becomes subject to the SIFT Rules (which is assumed to be, subject to compliance with the Normal Growth Guidelines, no earlier than 2011), the Fund will no longer be able to deduct any part of the amounts payable to Unitholders in respect of its "non-portfolio earnings", as defined in the Tax Act. Income which the Fund is unable to deduct pursuant to the SIFT Rules will be taxed in the Fund at a rate substantially equivalent to the combined federal and provincial corporate tax rate. The SIFT Rules do not change the tax treatment of distributions that are paid as returns of capital.

NARRATIVE DESCRIPTION OF THE BUSINESS

Industry Overview

The steel wire and fabricated wire products industry manufactures a broad spectrum of items from wire rod (carbon steel, stainless steel and alloy steel). Steel wire and fabricated wire products are used extensively in many industries, including construction, agriculture, manufacturing, recycling, oil and gas, transportation, communication and forestry. Products produced include nails, screws, springs, wire rope, strand wire, baling wire, fencing and reinforcing mesh.

Historically, the wire and wire products industry had been dominated by large integrated steel producers. However, over time, many of these integrated producers have shut down or divested their fabricated wire operations, which has created a large group of independent fabricated wire producers in North America. Most of these independent producers manufacture a limited range of products and their geographic market is restricted by high transportation costs. The industry has experienced a limited amount of consolidation as some companies have sought to broaden their product offering and diversify their geographic markets, but overall the industry remains highly fragmented.

The steel wire industry is very competitive, both domestically and internationally. Customers can source very similar products from a variety of manufacturers and an established brand is one factor that can set manufacturers apart.

Both domestic and foreign producers participate in the North American market. Foreign producers tend to have a limited product offering, often focusing on high volume, commodity items, and compete aggressively on price. Domestic producers typically are more dominant in products that require more value-added processing that must conform to building code standards or because of their bulk incur high freight costs. Imports from China have increased significantly in recent years, and include products like bulk and collated nails, stucco and galvanized wire.

A number of factors are presenting significant challenges in the current environment for the industry and Tree Island's key markets. These factors include:

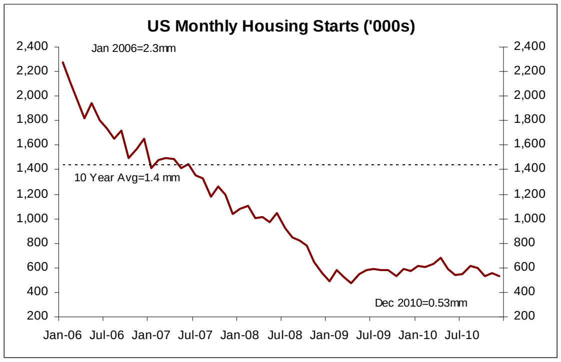
Global Economic Conditions

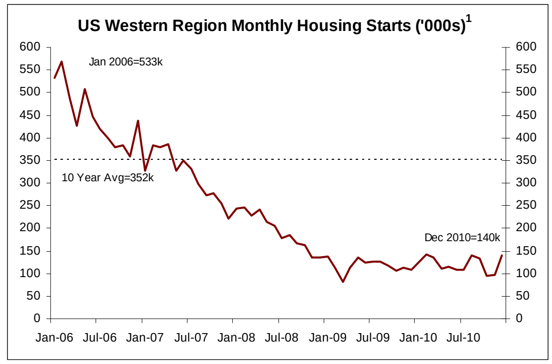
Deteriorating global economic conditions resulted in the economies of the United States and Canada falling into recession late in 2008 and this continued through 2009. Lower consumer and business spending has had a significant negative impact on demand for Tree Island’s products. The economic downturn has had the greatest impact on residential and commercial construction markets, particularly in the western regions of the US. In 2010 the decline in the US economy slowed and the Canadian economy started to recover.

Weakness in the United States Housing Starts

A significant portion, approximately 30.5% in 2010, of Tree Island’s revenue and gross profit is generated from products used in North American residential construction, particularly in the United States. A dramatic weakening of this market has had an adverse impact on Tree Island:

- Annualized housing starts in the United States declined from a peak of 2.3 million units in January 2006 to approximately 0.58 million units in December 2009 and further declined to 0.53 million units by December 2010, a decline of 59%, and 62% below the 10-year average of 1.4 million units; and
- In Tree Island’s core western United States market, annualized housing starts declined from 533,000 units in January 2006 to approximately 109,000 units in December 2009 but rebounded to 140,000 units in December 2010, for a total decline of 69%, and 60% below the 10-year average of 352,000 units:



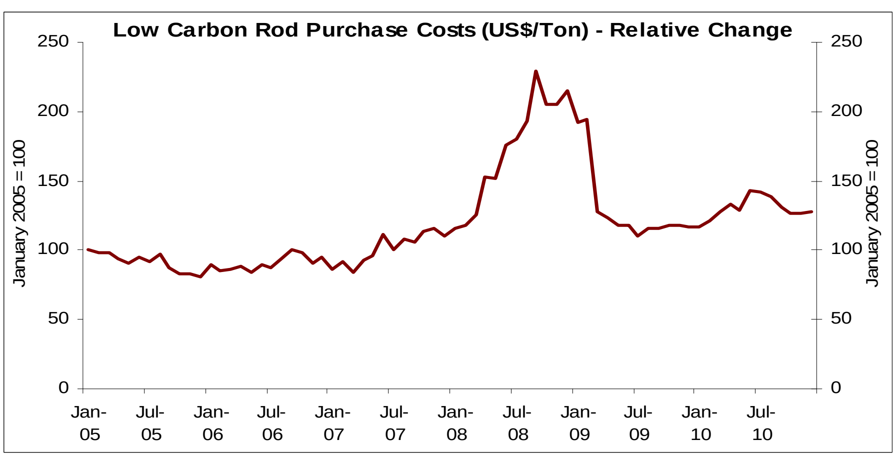


Source: US Census Bureau.
Note: Figures are annualized and seasonally adjusted.
[1] Includes Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington and Wyoming.

Raw Material Costs

Carbon wire rod, stainless steel wire rod and zinc are Tree Island's largest cost components, representing 45.2%, 6.4% and 3.1% of cost of sales in 2010, respectively. As the chart below indicates, the cost of carbon rod has been volatile since 2003. Large increases in rod costs significantly impacted Tree Island's cost structure until the fourth quarter of 2008 when deteriorating economic conditions led to a dramatic drop in commodity prices, resulting in downward pressure on product prices and subsequently, on margins.

This drop in raw material costs resulted in Tree Island's inventories being overvalued by approximately $34 million as at December 31, 2008. In accordance with GAAP, the Fund wrote down $20.4 million of this overvaluation in the fourth quarter of fiscal 2008 and the remainder negatively impacted cost of sales in 2009. In addition there were further rod inventory write downs totaling $4.4 million during 2009 that also negatively impacted cost of sales. In the first half of 2010 the cost of carbon wire rod increased driven by increased demand for raw materials, which drove up raw material costs and by managed steel supply. In the third quarter of 2010 weak demand and lower raw material costs stabilized prices however driven by increased raw material costs and constrained supply steel costs have increased sharply into 2011. The Fund recognized an additional inventory write-down of $0.6 million in 2010 however this was related to only specific finished goods items.



Source: Tree Island

The cost of stainless steel wire rod is significantly impacted by the cost of the alloys used in the steel to provide its anti-corrosive properties. Nickel, chrome and molybdenum are three of the primary alloys used, with nickel being the most significant of the three. The costs of these alloys fluctuate significantly with market conditions. In 2010 the alloy components increased by as much as 38%, causing stainless steel wire rod costs to rise 33% by the end of the year.

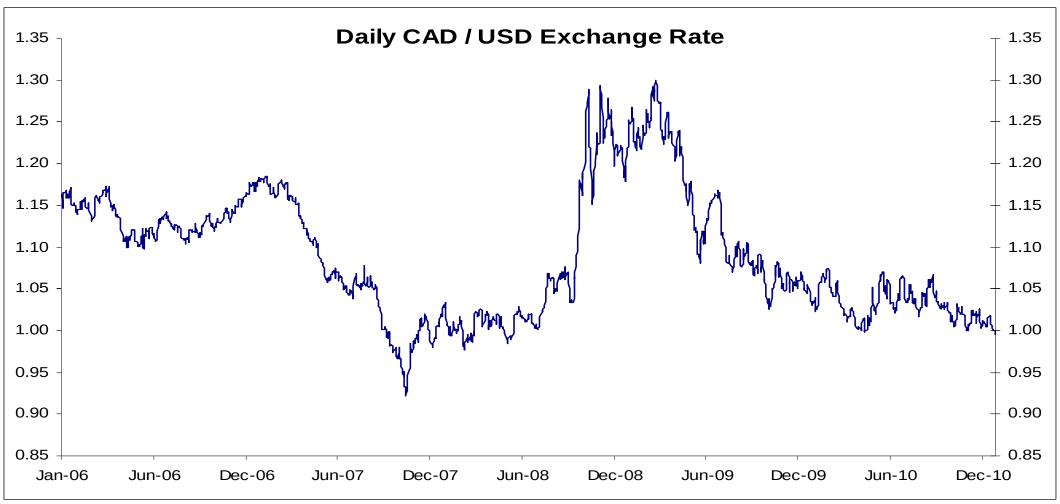
In 2009, the LME cash price rose steadily during the year, ending the year at US$1.17/lb. Due to favourable forward purchases made early in the year Tree Island's average consumption cost of zinc over 2009 was US$0.74/lb. In 2010 Tree Island purchased zinc at the LME cash price which declined from US$1.17 to US$0.72/lb and ended the year at US$1.10. Tree Island's average consumption cost of zinc over 2010 was US$0.91/lb.

Increased Transportation Costs

Transportation is also a significant cost factor for Tree Island as the Company uses both in-bound and out-bound transportation services. The cost of inbound transportation services increased in 2010 as shipping companies sought to recover losses incurred in 2009. The market cost of out bound overland transportation services increased in 2010 driven mainly by increased fuel costs. For example, the price of diesel for the West Coast region of the USA, as reported by the US Department of Energy, increased by 20.5% between January 2010 and January 2011.

Changes in the Value of Canadian Dollar

In 2010, Tree Island generated approximately 59% of its revenue denominated in United States dollars. The average CAD/US dollar exchange rate in 2009 was 1.1414. In 2010 the CAD strengthened by 9.8% to an annual average of 1.0299, resulting in a decrease in the value of US dollar denominated revenue and EBITDA, when translated to CAD.



Source: Bank of Canada

GENERAL OVERVIEW OF THE COMPANY'S BUSINESS

Headquartered in Richmond, British Columbia, the Company is one of North America's largest producers of steel wire and fabricated wire products with sales of $132.4 million for the year ended December 31, 2010.

Markets and Products

Tree Island supplies a diverse range of steel wire and fabricated steel wire products to customers in five key markets: residential construction, commercial construction, agricultural, industrial, original equipment manufacturers ("OEM") and specialty applications.

Our product lines include bright and galvanized carbon wire; stainless steel wire; packaged, collated and bulk nails; stucco products, including woven mesh, fencing and other fabricated wire products; engineered structural mesh; and a diverse array of complementary products. We market these products to customers in Canada, the United States and Asia.

The following summarizes our key product groups and the end-use markets we serve with each:

Markets	Products	Specific End Uses
Residential Construction	Collated, bulk and packaged nails and stucco reinforcing mesh.	Construction and renovation for new and existing homes
Commercial Construction	Welded wire reinforcement mesh, concrete reinforcing products and complimentary accessories	Commercial construction, mining, infrastructure projects
Industrial/OEM	Low carbon wire (bright/galvanized/annealed) High carbon wire (bright/galvanized/annealed) Hi-tensile baling wire	Wire fabricating, industrial applications, OEM manufacturing (i.e. mattresses, inner springs, tires), forestry, recycling
Agricultural	Hi-tensile game fence, farm fence, vineyard wire, barbed wire, bailing wire, vinyl coated wire	Agriculture, farming
Specialty	Spring wire, cold heading wire, shaped wire, stainless specialty alloy bar, rod and wire	Consumer products, industrial applications, telecommunications, aerospace, automotive, oil industry

Product Strategy

Tree Island is a manufacturer and supplier of premium quality wire products for a broad range of applications. Our goal is to match the appropriate wire product solution to the precise needs of our customers. We achieve this by manufacturing most of our products at our own manufacturing facilities, while outsourcing others from qualified manufacturers.

Our traditional market emphasis has been western North America where the Tree Island, Halsteel, K-Lath, TI Wire and Industrial Alloys brands have an excellent reputation. In 2009 Tree Island introduced Tough Strand, a premium brand of fencing products focused on the agricultural market.

Premium Brands

We manufacture our premium, branded products internally, targeting them to customers that seek value and reliable high performance. Our Premium brands are designed to create a high level of customer satisfaction and offer:

- Consistent, highest quality standards that meet customers' needs, ASTM standards and applicable codes
- Broad range of products
- Short lead times
- Exceptional service and support

Premium Brands	Products
Tree Island	Bright and galvanized wire, nails, welded wire mesh and fencing products
Halsteel	Collated nails produced in the United States
K-Lath	Wide range of stucco reinforcing products
TI Wire	Bright Wire, welded wire mesh
Industrial Alloys	Stainless steel wire and wire products
Tough Strand	Agricultural fence products including Hi-tensile game fence, farm fence, vineyard wire, barbed wire, vinyl coated wire.

Select Brand

In 2009 Tree Island launched its Select brand of products. Products within this group are made to general industry specifications (ASTM Standards), but are not customized to individual customer requirements. Most of our Select brand products are sourced externally, and as such are limited to high-volume commodity items. Select brand products enhance our relationship with those customers that require a diverse product line including competitively priced commodity products, and typically create complementary pull through for our premium brands.

Sourcing Strategy

Tree Island has a three-tier sourcing strategy, giving it the ability to supply value to customers through the most appropriate quality, service and price point level for their applications.

1. Internally Manufactured Products – Products manufactured at Tree Island facilities are of the highest quality, meeting the specific needs of our customers. For the most part, all manufactured products fall into the Premium brand strategy and are stocked or made to order. They are part of the long-term product strategy.

2. Sourced from outside manufacturers – Products that are sourced from outside manufacturers are made to industry standards and remain a part of the long-term strategy. These products are stocked items and form a large part of the Select brand.

3. Direct Ship Products Sourced Externally – As a service to customers, Tree Island uses its network of suppliers world-wide to source commodity products, not manufactured by Tree Island, for its customers. These products may not fall within our long-term product strategy, but are required by the customer.

Operational Synergies

The Company has advantages in its size and breadth of operations. The Company centrally sources the wire rod requirements for all of its divisions. In addition, benefits are realized through internal sourcing and vertical integration — for example a substantial proportion of Halsteel's wire requirements are supplied by the Etiwanda facility. As well, the Company has implemented standardized information systems across all divisions and also provides finance and administrative functions centrally, resulting in further efficiencies and economies of scale.

Seasonality of Sales

The Company's fourth quarter results are traditionally lower than the other quarters due to the seasonality of our construction and agricultural markets.

Tree Island's Corporate Philosophy

Corporate Culture:

The management of Tree Island believes that sustained business success is only achievable by delivering superior value to its customers. Tree Island delivers this value through its ability to: stock and supply a full range of high-quality wire and wire products, work with customers to find innovative solutions to meet their wire product needs, be flexible to customer needs, and provide reliable on-time delivery and fill-rates allowing customers to safely maintain low inventories. By delivering this value to its customers, Tree Island strives to be their acknowledged long-term, preferred supplier for wire and wire products. In managing the business, management emphasizes continuous improvement. To achieve this, Tree Island has a highly participative relationship with its employees. Sharing of information is encouraged to generate ideas that will lead to better products and service to customers. Management believes that by being informed and involved, employees will help Tree Island achieve its goal of delivering superior value to Tree Island customers.

Employee Philosophy:

Tree Island attracts and retains high quality employees with competitive compensation packages and incentives tied to both corporate and individual results. Tree Island believes in keeping employees informed about the business and in listening to employee ideas and concerns. Tree Island provides a challenging, fun and rewarding environment where employees are team players who are both challenged and accountable in what they do. Tree Island strives to create a work environment in which employees are proud to work for the Company.

Corporate Citizenship:

Tree Island values high integrity and ethical behavior in our business practices. We promote not-for-profit activity as it relates to our market and brand and promote environmental responsibility.

Markets for Our Products

Residential Construction:

Tree Island markets a variety of collated, bulk and packaged nails along with stucco reinforcing mesh and other related construction products to the North American residential market. The Company is a leading supplier of these products in Canada and the Western US.

The decline in demand for residential construction products stabilized in 2010. However, the US housing market continues to remain at 50 year lows while the Canadian market has started to rebound. The 2010 US Western Region housing starts (per the US Census Bureau) increased 3.1% from 2009, but were still 38.6% below that of 2008. Canadian housing starts in 2010 (per the Canadian Mortgage and Housing Corporation "CMHC") increased 27% from 2009, but were still 10% below that of 2008.

The impact of lower priced import products and under utilized domestic capacity placed significant pressure on the Company's ability to increase selling prices in order to recover the increase in the cost of raw materials and maintain its margins. The focus on maintaining margins resulted in the Company strategically forgoing certain volumes with unacceptably low or negative margins. Tree Island's major competition in the Western US residential construction market comes primarily from Davis Wire, Mid-Continent and importers of low-cost products. In Canada the competition is from Duchene, Sivaco and importers of low-cost products.

Commercial Construction:

The Company markets wire mesh, engineered mesh, concrete reinforcing mesh, mine mesh and PC strand to the North American commercial/industrial construction market. Its competitive position was strengthened through the 2007 acquisition of USA Wire. Major competitors in Canada include Davis Wire Industries and Irving Industries and in the US include Davis Wire Corporation, Insteel, Oklahoma Steel, Nucor, Ivy and Numesh.

Industrial/OEM (Original Equipment Manufacturer):

Tree Island provides a variety of low and high carbon bright and galvanized wire products, including wire used in inner spring applications and high-quality baling and strapping wires used in pulp and paper and recycling applications. In 2009 the Company commenced tolling of pulp baling wire. In terms of the tolling agreement the Company converts raw materials, owned by its customer, into finished goods for a processing fee.

The Company is a leading supplier of pulp baling wire in Western Canada and one of the top three suppliers of recycling strapping wires in North America. Major competitors in the industrial/OEM market for wire products include Davis Wire Corporation, Leggett and Platt, Deacero, Bekaert, Mittel, National Standard and Sivaco.

Agricultural:

The Company produces and markets a variety of fencing and agricultural products, including barbed wire, game fence, field fence and vineyard wire. It is a leading supplier of fencing products to the western Canadian agricultural industry, and in 2008 began expanding its market presence into Eastern Canada. The Company competes on a smaller scale in the US market for specialized wire applications such as vineyards and tobacco farming. Tree Island has recently strengthened its competitive position in the overall agricultural market by expanding its product line with outsourced fencing posts and other products that complement its existing line of fence products. Key competitors in the North American agricultural market for fencing products include Bekaert, Davis Wire Corporation and Deacero.

Specialty Wire Products:

Tree Island provides a variety of stainless wire products, including shaped wire and specialized wire used in spring applications. The Company is a supplier of the shaped wire used in industrial applications, such as the screens used in oil and gas wells. The Company's main competition in this market comes from Central Wire.

International Market:

The Company markets a range of products including baling and strapping wire and other high carbon and low carbon products to international markets. In 2009 Tree Island entered into an agreement to supply technological know-how to Shanxi Yuci Broad Wire Products Corporation ("YD"), a Chinese wire mill, whereby YD would use the technological knowledge to produce baling and strapping wire. In terms of this agreement, Tree Island would be paid a fee for the use of the technological knowledge and for ensuring that quality standards were met.

Influence of Import Competition:

The steel industry has always had significant competition from imports. Recently lower demand has intensified the competition. The presence of low-cost imports impacted multiple product groups in which Tree Island competes, including nails, bright wire and wire for stucco reinforcing mesh and chain link fencing. By Sourcing internationally as well as from North American suppliers, the Company is able to offer customers a better selection of import and domestic products, as well as more complementary products within many of its product families providing the Company with flexibility to respond to a variety market conditions.

Competitive Strengths

The Company's competitive strengths include the following:

- *Established market position in Western Canada and the Western United States*. The Company is a leading steel wire and fabricated wire products producer in Western Canada and the Western United States and one of the largest fabricated wire producers in North America. It is one of the largest manufacturers of nails in North America.

- *Strong brand name and reputation for quality and service*. The Company's brand names are well established and highly regarded within the nail and fabricated wire industry, with brands such as Tree Island, Halsteel, TI Wire, K-Lath, Industrial Alloys and Tough Strand. The strength of its brands, high quality products and on time deliveries have enabled it to achieve value-added pricing relative to competitors. The Company has developed strong relationships with major industry participants such as Weyerhaeuser, CanWel/Broadleaf, Home Hardware, Boise Cascade, and Huttig.

- *Diversified customer base and product lines*. The Company serves a wide range of customer markets due to its broad product offering. Key customers are spread across five major markets: residential construction (new and renovation), commercial construction, industrial/OEM, agricultural and specialty products. The Company has a highly diversified customer base, with its largest customer accounting for approximately 3.9% of sales in 2010.

- *Established competitive wire rod supply*. Wire rod is the principal raw material and accounts for approximately 45.2% of the cost of goods sold in 2010. Historically, the Company has secured a low-cost supply of wire rod primarily from global suppliers, taking advantage of its purchasing economies of scale relative to competitors and for its Canadian operations its strategically attractive location on the Fraser River in Richmond, British Columbia, where easy deep-sea access offers freight cost advantages. In response to market conditions in 2009, Tree Island shifted the majority of its rod sourcing to North American mills and transported the material by truck directly to its plants. In 2010 Tree Island began to source more its rod from international sources and its Canadian operations were able to take advantage of a low-cost supply of wire rod and the associated freight cost advantage arising out of its location on the Fraser River. As market conditions change, Tree Island will continue to evaluate its sourcing options.

- *Extensive management experience*. The management team is highly experienced and has a long history with the Company. Theodore Leja, Chief Executive Officer, has been with the Company for over 14 years and has over 25 years experience in top leadership positions in the steel and fabricated wire industries. Brian Irving, Vice President of Finance has been with the Company for 15 years. The Company's business leaders have significant experience in the fabricated wire products industry.

- *Diversity of products*. The Company is able to offer its customers a wide mix of products ensuring that the customer is able to meet most of his needs from Tree Island.

Business Strategy

In 2009 Tree Island implemented a "Back to Basics" strategy to maximize profitability and manage working capital. Following are the key components of this strategy:

- *Be the supplier of choice*. The Company focuses on being the supplier of choice to its customers. This is achieved by providing a broad range of high quality products, ongoing product innovation and high levels of customer service. Customers are increasingly seeking higher service levels and the opportunity to source a wider range of products from fewer suppliers.

- *Maintain stable margins*. The Company seeks to maintain stable margins by capitalizing on brand strength and high quality products to achieve value-added pricing relative to its competitors. The Company adjusts the prices of its products, subject to prevailing market conditions, to reflect changes in the cost of key raw materials in order to maintain margins.

- *Maintain multiple sources of supply of high quality products*. The Company's objective is to ensure a consistent source of supply of wire rod by maintaining relationships with multiple suppliers, in order to allow for continued supply in the event of an interruption from any one supplier.

- *Maintain and enhance operating efficiencies*. The Company has an ongoing objective of maintaining and enhancing the efficiency of its operations through focus on cost control, effective use of technology and ongoing improvement in work practices to increase labour productivity.

- *Access to import finished goods*. The Company is able to supplement manufactured products with import products where these sales improve gross profit generation and enhance the Company's ability to be the supplier of choice.

- *Focusing on Cash Management.* On November 26, 2009, the Company renegotiated the GE Credit Agreement with its Canadian and US lenders (as discussed above), converted its current liability to steel suppliers into long term debt (Forbearance Agreements) and concluded a private placement debenture issue. On March 25, 2010, the Fund entered into the Senior Credit Facility with Wells Fargo replacing the GE credit agreement (*see "Credit Facilities" section of this AIF*). In March 2011, the Company amended the payment plan on the Forbearance Agreements to extend the payment term by one year. These steps have improved Tree Island's ability to manage its cash position and the Company is continuing to tightly manage its cash flow with an emphasis on cost reduction and working capital and particularly inventory management.

- *Focusing on Working Capital*. The Company is tightly managing inventories and receivables. Purchases of wire rod are made in smaller quantities than historic norms with more emphasis on North American suppliers. The smaller order sizes coming from these sources, which are typically located closer to our manufacturing facilities, enable the company to hold less inventory at a cost more closely related to the current market price. Finished goods inventories are closely monitored to ensure that stocking levels are adequate to cover anticipated demand.

- *Consolidating Operations.* The Company is optimizing production volumes into fewer manufacturing facilities. Following the implementation of the "Back to Basics" strategy, Tree Island's US operations were rationalized as follows: the Fontana facility was closed with the stucco reinforcing equipment relocated to the Pomona facility and the Corona distribution facility was closed. In addition in 2010 the Company vacated a portion of its Ontario California facility. These closures resulted in lower costs without impacting our ability to support customer requirements for our manufactured products.

- *Cost Reduction.* A number of strategies designed to aggressively reduce costs were implemented throughout 2009. The reduction in hourly and salaried workers related to the plant closures described above, together with other announced personnel reductions, brought the total layoffs as of December 31, 2009 to approximately 50% of Tree Island's hourly workforce and 32% of its salaried workforce since July 2008. A significant number of senior management, including executives, were laid off. The Company did not pay any performance bonuses for management and staff during 2009, froze salaries for management and implemented a Company-wide hiring freeze. During 2010 we continued to tightly monitor and control our manufacturing costs and continued to strictly enforce a number of cost savings measures for example, in the third quarter of 2010 in response to weak economic demand in the second quarter, production was curtailed to realign inventories to anticipated demand levels. Additional cost saving measures that carried on from 2009 include the decision not to pay bonuses under our variable compensation plan for management and staff in 2010, and ongoing restrictions on staff salaries and headcount and the evaluation of operating costs in order to eliminate unnecessary expenditures.

Operating Facilities

The following is a summary of the manufacturing facilities and operations:

Richmond facility

The Richmond facility produces a wide variety of fabricated wire products in its 392,000 square foot plant situated on approximately 40 acres adjacent to the Fraser River in Richmond, British Columbia. The company consolidated and redesigned its outside storage area and certain maintenance facilities to create 12 acres of surplus land that was then sold in 2009. The plant contains 26 wire drawing machines with a combined annual capacity of 170,000 tons of drawn steel wire, approximately 110 nail making machines with an annual capacity of 83,000 tons of nails, three galvanizing lines capable of producing 100,000 tons of galvanized steel wire annually, and equipment for the production of fencing products, stucco mesh, welded concrete reinforcing mesh, bulk nails, plastic strip collated nails, packaged nails and other fabricated wire products for both inter-company and external sale. The Richmond plant is certified to the ISO 9001:2008 standard. Annual independent audits of the standard are conducted and all requirements have been met to enable the company to maintain its registration status.

Historically, wire rod coils, weighing approximately 4,000 lbs, were sourced primarily from global suppliers and transported by ship from steel mills around the world to Fraser Surrey Docks, located across the Fraser River from the plant. The rod coils were then moved by barge to the plant where they were stored in open-air locations pending processing.

The production process begins with acid cleaning to remove scale from the surface of the rod. Once clean, the rod is then reduced down to its final diameter by pulling it through a series of successively smaller holes in carbide dies on a wire drawing machine. During this process, speed and temperature are strictly controlled to ensure the final product meets predetermined quality standards. The end of each coil is welded to the start of the next coil to ensure the process is continuous and waste is minimized. The finished drawn wire is wound onto special holders, called carriers that contain between 1,000 pounds and 6,000 pounds of wire each.

Certain bright wire products require no further processing and are ready for sale at this point. The remaining drawn wire is used as a feedstock material for processing into galvanized wire, welded wire reinforcing mesh and nails.

Galvanized low and high carbon wire is produced from drawn wire by passing it through a molten zinc bath at controlled speeds. Some of this galvanized wire is sold directly to customers for a variety of uses and the remainder is used internally as feedstock for processing into products such as fencing and stucco mesh.

Sheet and coil welded reinforced mesh products are produced from drawn wire on special purpose welding equipment.

The Richmond facility produces over 400 different types of nails from drawn wire on high-speed cold forming machines. Wire is fed from a carrier into the machine in a controlled length, held in position until the head is formed, then cut with the correct point and ejected into a chute at a rate of up to 900 nails per minute. The nails are then cleaned and processed into a variety of finishes (bright, phosphate, vinyl coated, electro galvanized, hot galvanized) prior to packaging, typically in 50 lb cartons, and placed on pallets on an automated packing line. The Richmond facility also produces plastic strip collated nails on special purpose machines using high quality bulk nails.

Ontario facility

The Ontario facility manufactures a variety of collated nail products under the Halsteel brand and operates from a 100,000 square foot leased production facility on 5.8 acres of land in Ontario, California with an annual capacity of 60,000 tons. The lease expires on January 31, 2012. During 2010 the Company vacated 38,000 square feet which had been used to store inventory. The Ontario facility produces a wide variety of collated nails for use in pneumatic nail guns. These nails are available with a number of coatings including electro galvanized and hot dip galvanized. This plant also produces Tree Island's True Spec System which uses a combination of distinct colors and numbers on the head of the nail to distinguish various types of structural nails used in construction after the nail has been driven. The plant's major raw material is bright wire that is primarily sourced from the Etiwanda plant.

Etiwanda facility

The Etiwanda facility operates in a 134,000 square foot plant situated on 16 acres of land located in Etiwanda, California with readily accessible highway transportation. It has up to 120,000 tons of wire drawing capacity annually. This property is owned by Tree Island. The facility is currently certified to ISO 9001:2008. Conveniently located near the Port of Long Beach, the plant is able to source wire rod domestically or internationally. Up to 2009, only a small portion of the plant's rod was sourced domestically due to higher costs but this changed and in 2010 when domestic rod became more cost competitive with an added advantage of being available in smaller quantities and shorter lead-times.

This facility currently produces carbon steel and alloy steel wire products including bright drawn wire, annealed wire, plating quality (PQ) wire, cold heading quality (CHQ) wire, cold drawn finished bar and welded wire reinforcing (WWR) products used to reinforce concrete structures.

Pomona facility

The Pomona facility operates from a 108,000 square foot leased facility located on 7 acres of land in Pomona, California. This lease expires December 1, 2016. The plant contains wire processing machinery that produces stainless steel wire products including spring wire, lashing wire and cold-heading wire with an annual stainless steel drawing capacity of 6,000 tons. The facility is currently certified to ISO 9001:2008. In general, stainless steel wire products command a significantly higher price than carbon wire products. Transportation costs are a small portion of the overall cost to the customer, and therefore products can be shipped across greater distances. As a result, this facility services customers throughout the United States. Relative to its competitors, this facility produces a broad range of wire sizes and in particular has the ability to produce fine diameter bars which are offered by very few stainless steel wire producers. Its major raw material is stainless steel wire rod which it sources both domestically and internationally.

The facility also operates woven lath and welded lath manufacturing equipment with an annual capacity of 40,000 tons for the production of K-Lath brand stucco reinforcing products. These products are manufactured by a process that involves feeding galvanized wire (sourced from both the Company's Richmond facility and outside vendors located mainly in China) into custom designed machines that weave the wire into rolls of stucco mesh. These rolls can be made with or without asphalt paper backing attached.

Other custom equipment uses galvanized wire that is welded into lengths of corner reinforcing netting, and sheets of galvanized netting are produced on custom machines that weld the wire into the correct configuration.

Corona Facility

The Corona facility consists of a 133,000 square foot leased facility located on 8.5 acres of land in Corona, California. The lease was acquired as part of the BII/UM Acquisition in July 2007. The lease expires on December 31, 2012. There are no manufacturing or distribution operations occurring at the facility. A portion of the facility is being sub-leased and the remainder it is currently on the market to be sub-leased for the remaining duration of the lease term.

Processes common across all North American plants

All stages of the production process are tracked using bar code technology linked back to a central information system in order to ensure accurate inventory data related to product identification, exact quantity available, and specific location. Finished goods inventory data provides the basis for computerized, customer specific, pick lists that are used by the shipping department to locate a product, remove it by fork lift truck from its location and then stage it for an order prior to loading onto either trucks or rail cars for shipment to the customer. Inventory levels are constantly monitored to ensure an appropriate balance between customer service needs and working capital management.

The nature of the equipment used by the plants is such that the comprehensive preventive maintenance program and replacement of worn components in a timely manner ensures a lengthy life of the equipment. For this reason, significant capital expenditure is not anticipated to achieve continued historic production levels. The manufacturing process is under constant scrutiny by a knowledgeable and experienced workforce, which has resulted in continuous improvement and consistent increases in productivity without the need for significant capital expenditures.

Tree Island International Facilities

Tree Island International Ltd., a Hong Kong based Company, owns a wire products manufacturing facility in the Binhai New Development Zone in Tianjin, China and a branch office in Beijing, China. The wire mill is located in a 263,000 square foot leased facility and the lease expires June 30, 2015. This facility has 29 wire drawing machines, one annealing furnace and two wire galvanizing lines. Total annual plant capacity is approximately 10,000 tons. Unfortunately the mill is not cost competitive and has not operated for a number of years.

Prior to 2009 the company operated a small leased 34,000 square foot stucco mesh netting facility containing one netting machine. In 2009 the Chinese Government expropriated this facility andhe netting machine was moved to the wire mill and placed in storage. The branch office in Beijing operates from a 3,330 square foot leased office and the lease expires on May 14, 2011. Tree Island International Ltd has entered into a tolling agreement with a Chinese wire mill to manufacture galvanized wire which is sold in China. In addition it sources wire products for sale in China and the rest of the world from a variety of qualified vendors across China.

Inventories and Receivables

Wire rod inventory levels are maintained at approximately 4 weeks of consumption with between one to three months requirements on order or in transit from its suppliers depending on the location of the supplier and the transit time. Market conditions can quickly change and Tree Island’s wire rod procurement process and associated inventory levels will flex with these changes. In 2010 finished goods inventories on hand averaged between six and eight weeks of sales and accounts receivable averaged between four to five weeks of sales.

International Trading and Import Operations

The Company imports products into North America (9.0% of 2010 revenue). Tree Island International helps to source these products as well as selling its own products internationally.

Environmental and Occupational Health and Safety Matters

The Company's business operations have been and are subject to extensive federal, provincial, state, municipal and local statutes, regulations and by-laws, permitting and other requirements with respect to workers' health and safety and environmental matters in Canada, the United States and China.

The operation of certain of the Company's facilities includes the transportation, storage, handling, usage and disposal of various industrial chemicals and metals and their discharges to the land, air, water and sewers. The Company has a number of permits necessary to carry on its operations and has adopted procedures and practices designed to ensure compliance with such permits and environmental laws. The Company also has necessary programs, systems and processes in place to ensure worker health and safety is in accordance with such laws. The Company has created an environmental, health and safety management system that is designed to identify environment, health and safety ("EHS") issues, mitigate those issues and monitor performance. Programs have been implemented to ensure adherence to the Company's EHS policies. The programs include environmental training for employees, implementation of environmentally sound practices, and a continuing focus on corporate due diligence. Audits are periodically done on the EHS management system. The Board of Directors of the Company oversees its EHS responsibilities through the EHS, Compensation and Governance Committee.

Expenditures related to compliance with environmental laws and protection initiatives are not material to the Company's consolidated results of operations, cash flow or financial position and, based on current laws, facts and circumstances are not expected to have a material impact in the future. The Company believes its operations are in compliance with applicable environmental laws, rules regulations and guidelines in all material respects. While management believes that the Company is currently in compliance with all applicable health, safety, and environmental requirements, there can be no assurance that the Company will in the future be in compliance and that any future non-compliance will not result in a material adverse effect on the Company.

In 2004, the Company settled a claim that zinc from its Richmond plant had leached and contaminated a neighboring property. The Company agreed to remediate the property and reimburse the owner for certain costs incurred by the owner. Final steps are being taken to obtain a certificate of compliance. Any future expenses should be covered by the costs accrued in prior periods.

During the third quarter of 2009, the Fund completed the sale of 12.5 acres of surplus lands at its Richmond, BC manufacturing facility. The agreement contains a condition whereby $1.5 million will be held in trust and will be released upon providing to the purchaser a Certificate of Compliance for the environmental remediation. The environmental remediation was required to be completed within one year from the closing of the sale. If the Fund did not deliver the Certificate of Compliance within one year from the closing of the sale, the purchaser could use the holdback to obtain a Certificate of Compliance. During the second quarter of 2010, the Fund began the remediation work but was unable to complete it by the one year anniversary date. The Fund has incurred $0.6 million up to December 31, 2010 of which $0.5 million was drawn down from the holdback as permitted under the agreement As of December 31, 2010, the purchaser has not elected to complete the remediation. The Fund is now expecting to complete the remediation and obtain the Certificate of Compliance during 2011.

Products

The Company produces and sources over 6,000 different products which can be classified into nine broad categories: collated nails, galvanized wire, stucco reinforcing mesh, bulk nails, bright wire, stainless steel wire, welded wire concrete reinforcing mesh, fencing products and other fabricated wire products. The following is the Company's percentage of net sales by product group in 2010 from its North American operations:

North American Product Groups	Percentage of Net Sales
Galvanized Wire	23.0%
Bulk Nails	18.7%
Bright Wire	10.6%
Welded Wire Concrete Reinforcing Mesh	11.9%
Stucco Reinforcing Products	9.2%
Fencing Products	7.7%
Collated Nails	5.7%
Stainless Steel Wire	9.0%
Fabricated Wire Products	4.2%
	100.0%

Customers

The Company's customers are diversified by both geographic region and industry. The diversity of markets in which the Company's products are sold reduces exposure to economic activity in any one specific sector or region. The following is the percentage of net sales for 2010 derived from the Company's primary geographic markets:

Province or State	Percentage of Net Sales
California	29.6%
Alberta	13.9%
Ontario	6.0%
British Columbia	11.2%
China & Other International	4.8%
Washington	8.4%
Arizona	2.6%
Quebec	3.1%
Texas	2.3%
Other	18.1%
	100.0%

In addition to geographic diversification, the Company sells its products to a wide variety of industries. The percentage of net sales for 2010 derived from these different industries is as follows:

Industry Segment (1)	Percentage of Net Sales
Construction - Residential	**33.0%**
Construction – Commercial & Infrastructure	**14.8%**
Industrial	
Pulp & Paper	7.9%
Recycling Industry	3.6%
Chain Link Fencing	8.6%
Bedding and Upholstery	2.2%
Mining Industry	4.1%
Specialty - Stainless Steel	9.3%
International Operations	1.9%
Other Industrial	7.0%
Total Industrial	**44.6%**
Agriculture	**7.6%**
Total	**100.0%**

(1) The breakdown of sales by type of construction is based on Company estimates.

A significant proportion of the Company's products are sold to distributors, including wholesale distributors of building products, baling wire (for the pulp industry, waste baling industry and agricultural industry) and fencing products. In addition, the Company sells its products to major retail chains such as Home Hardware in Canada and White Cap Construction Supply in the US. The breadth of the Company's product offering enables it to benefit from continued consolidation within the building products distribution and "big box" retail channels.

The Company sells to over 750 customers, and in 2010 the Company's top twenty customers accounted for approximately 45.6% of sales, with the largest customer accounting for 3.9% of sales.

Competition

The steel and fabricated wire products industry in North America is highly fragmented. Our competition comes primarily from companies with a narrower product line focus. As a result, competition is defined differently depending upon product line and geographic market. The level of import competition will also vary depending on the product line and to a lesser degree geographic area.

Our principal domestic competitors are primarily other large wire products manufacturers such as Davis Wire Corp., Davis Wire Industries Ltd., the Bekaert Group represented by Titan Steel and Wire Co. Ltd, Oklahoma Steel and Ivy Steel and in the fasteners market from Mid Continent Nail Corporation. Foreign competition comes from a variety of countries; most notable are mills from China, Dubai and Southeast Asia, especially in fasteners where Prime Source Building Products Inc imports and sells imported fasteners

Deacero S.A. de C.V., located in Mexico is a notable competitor in the southwest portion of the United States supplying commercial residential and industrial wire products to Nevada, Arizona, Texas and California.

We believe that Tree Island's competitive strengths include its: established market position, brand strength, reputation for quality and service, varied product lines, well established wire rod supply channel, management team strength and diverse customer base.

In addition we are able to supply customers the option of either manufactured or sourced products that provide both quality and service across a broad selection of products and brands. The following is a summary of the competitive environment for our principal product categories.

Bulk Nails

Bulk nails are nails typically sold in 50 pound boxes and are primarily produced at the Richmond facility. The principal competition in Canada and the US is imported bulk nails, primarily from the Far East. In eastern Canada Tree Island faces domestic competition from Sivaco and Duchene. Tree Island competes against imports by offering a wider selection of nail types with shorter lead-time requirements and better customer service. Lead-times are important to the customer, as working capital constraints require greater inventory turn targets.

There are no other facilities of significant size producing bulk nails in Western Canada or the Western United States. In addition to manufacturing its own bulk nails, Tree Island imports select bulk nails from China to meet customer needs for a low price-point on certain products and in certain geographic areas.

Collated Nails

Collated nails are produced primarily at our Ontario facility in southern California which produces collated nails under the Halsteel brand to meet demand for products going into the southwestern United States, the Pacific Northwest and Texas,. The Richmond facility produces specialized collated nails for Canada and certain portions of the United States under the Tree Island brand. We also produce nails under private labels for certain customers in the western United States.

Imports from China and Dubai have come to dominate the North American collated nail market. There is some domestic competition from other producers such as Mid Continent, Senco, Bostitch, and Paslode. As with bulk nails, there is a niche market of customers who prefer a domestic brand and who like to have more flexibility in ordering smaller quantities. Management estimates that Tree Island is one of the largest North American manufacturers of collated nails. Tree Island also imports collated nails from China and other parts of the world to provide customers with a broader range of price and quality levels on certain products.

Bright/Galvanized Wire

Tree Island operates out of two wire mills in North America; the Richmond, British Columbia plant which services bright and galvanized wire demand throughout Canada and the western half of the United States, and our Etiwanda, California plant which services bright wire demand in the southwest United States. We import galvanized wire products for direct sale and further conversion.

Along the west coast of North America there are three firms (Bekaert, Davis Wire Industries Ltd. in British Columbia, and Davis Wire Corp. in California and Washington) that produce bright and galvanized wire and comprise the majority of our domestic competition. Deacero S.A. de C.V. competes with Tree Island in this product group from its Mexican facilities. In eastern Canada competition includes Arcelor Mittal and Sivaco. Imports from China, Australia, South Africa and Mexico largely account for the remainder of our competition in this product line.

Stucco Reinforcing Products

A wide range of stucco reinforcing products for construction markets in California and the U.S. Southwest are produced in our Pomona facility in California and out of Canada at the Richmond facility. Production from the Fontana facility has been discontinued and consolidated in Pomona.

The main competitor for this product line is Davis Wire Corp., which produces a wide variety of wire products of which stucco-reinforcing products are a small subset. Other competition comes from smaller domestic manufacturers and imports from the Far East. Deacero S.A. de C.V., out of Mexico, is an importer of stucco products into the southwest as well.

Fence Products

Fence products are produced at the Richmond facility and consist of barbed wire, game fence, farm fence, electric fence and utility fence. Tree Island's fence product line emphasizes low carbon products and is sold almost exclusively in the Canadian market with some export to the United States. The main competitor in Canada is Titan Steel and Wire Co. Ltd., which has a manufacturing facility in Surrey, B.C. We also import fencing products for direct sale.

Welded Wire Fabric

Welded wire fabric is produced at both the Richmond and Etiwanda facilities. Major applications for this product group include slab-on-grade construction, concrete sewer pipes, precast concrete and mine tunnel reinforcement/stabilization. Product from the Richmond facility faces competition from other domestic producers, including Davis Wire Industries Ltd. in Vancouver, Irving Industries Ltd. in Alberta and Davis Wire Corp. in Washington. Product from the Etiwanda facility competes against domestic producers, including Davis Wire Corp. and Wire Mesh Corp. in California, Nucor in Utah, Oklahoma Steel in Oklahoma and Ivy Steel in Arizona as well as products produced in Mexico by firms such as Deacero S.A. de C.V. USA Wire, acquired in 2007 as part of the BII/UM Acquisition, was also a competitor in this product line.

Stainless Steel Wire Products

Stainless steel wire products are produced at the Pomona facility. Competition for this product line comes from independent wire drawers and integrated rod and wire producers, both domestic and foreign. Because of the relatively higher price for stainless steel wire products compared to carbon steel wire, the cost of freight is less relevant to customers, enabling us to ship to customers throughout the United States.

Raw Materials

Wire Rod

The Company's major raw material, carbon wire rod, accounted for 45.2% of its cost of sales in 2010. It is sourced from the global market and its cost tends to fluctuate with market conditions.

The Company purchases its carbon wire rod from a number of suppliers. The Company normally has more than one dozen qualified sources at any given time worldwide and routinely qualifies additional producers of carbon wire rod. Over the past three years the Company has sourced carbon wire rod from various countries including China, Mexico and the United States. During 2010, the Company sourced carbon wire rod from five suppliers, with 51% from its largest supplier and 27% from the next largest.

In response to market conditions in 2009, Tree Island shifted the majority of its rod sourcing to North American mills and transported the material by truck directly to the plant. In 2010, as market conditions changed, Tree Island Canada began again to source a portion of its wire rod requirements from global suppliers by chartering ships and unloading cargos at Fraser Surrey Docks which is a short distance from the Richmond Facility. This import wire rod is transported by truck from Fraser Surrey Docks to the plant. The remainder of wire rod requirements for the Richmond Facility are sourced from domestic wire rod mills and trucked to the plant. Tree Island US continued to source its wire rod from North American suppliers using either truck or railroads to transport the material.

In 2010, similar to 2009, purchases of carbon wire rod were in smaller quantities than the historical norms, with more emphasis on North American suppliers. The smaller order sizes coming from these sources, which are located closer to the Company's manufacturing facilities, enables the Company to hold less inventory at a cost more closely related to market price of the Company's finished product, as well as manage working capital more efficiently.

As further described below, there is currently one active U.S. Department of Commerce trade orders affecting imports of wire rod from six countries. However, these trade actions have not materially affected the Company's ability to purchase and import wire rod from our foreign sources of supply. This import duty is not imposed on carbon wire rod consumed in the Company's Canadian manufacturing facility or most of the finished materials manufactured from such carbon wire rod, which are subsequently shipped to the United States.

Despite periodic supply disruptions from certain sources, the Company has historically been able to procure all its carbon wire rod needs. Over the past three years, there have been various challenges in procuring wire rod due to significant price and supply fluctuations, as well as reduced credit availability from suppliers. However, Tree Island has covered all of its procurement requirements even in difficult times. Each time a significant disruption occurs, there is a temporary impact on the world supply balance and wire and wire products manufacturers are affected. As steel companies continue to consolidate both in North American and internationally, there will be the on-going concern of access to wire rod supply that is competitively priced. It is anticipated that the Company will be able to respond appropriately to these challenges.

In 2007 the market costs for rod increased between 14% to 28%, depending on grade. In 2008 these market costs doubled between January and August and then dropped almost 50% in 6 weeks. In 2009 prices continued to decline and were down a further 3 % to 7%, depending on grade, by the end of the year. In 2010 the price of wire rod increased through the first half of the year with North American steel suppliers announcing increases of up to 30%. The increase was driven by increased demand for raw materials, which drove up raw material costs, and by managed steel supply. In the third quarter the price of wire rod continued to fluctuate as a result of weak demand and lower raw material costs for North American steel suppliers. In December 2010 driven by the high cost of scrap and constrained supply the price of wire rod increased sharply. By February 2011 increases of up to 25% had been announced. Future ability to satisfy wire rod demand is, in the long term, not expected to be constrained by supply – available credit and trade financing will be key drivers in determining the amount and timing of rod supply.

In the past, as a result of the procurement process for carbon wire rod, the Company historically held two to three months of wire rod inventory on site at its manufacturing facilities and approximately four to six months' wire rod requirements on order or in transit from its suppliers. This changed In 2009 where wire rod inventory was reduced to four weeks or less of supply and in 2010 we maintained these inventory levels. This significant change reflects an increased focus on working capital management, supply chain efficiencies, as well as an abundance of rod supply in the marketplace. Market conditions can quickly change and Tree Island's wire procurement process and associated inventory levels will flex with the changes.

Stainless Steel

The next largest raw material component is stainless steel wire rod that accounted for 6.4% of cost of sales in 2010. The Company purchases its stainless steel wire rod from domestic and international suppliers. The cost of stainless steel wire rod is significantly impacted by the cost of the alloys used in the steel to provide its anti-corrosive properties. Nickel, chrome and molybdenum are three of the primary alloys used, with nickel being the most significant of the three. The costs of these alloys fluctuate significantly with market conditions. In 2010 the alloy components increased by as much as 38%, causing stainless steel wire rod costs to rise 33% by the end of the year. The current industry projections indicate that stainless steel costs will continue to increase in the first quarter of 2011.

Zinc

Used in the manufacture of galvanized nails, galvanized fencing and galvanized wire, zinc is the third largest raw materials cost for the Company and in 2010 accounted for approximately 3.1% of the cost of sales. In 2009, the LME cash price rose steadily during the year, ending the year at US$1.17/lb. Due to favourable forward purchases made early in the year Tree Island's average consumption cost of zinc over 2009 was US$0.74/lb. In 2010 Tree Island purchased zinc at the LME cash price which declined from US$1.17 to US$0.72/lb and ended the year at US$1.10. Tree Island's average consumption cost of zinc over 2010 was US$0.91/lb.

The Company's requirements are readily sourced from major domestic suppliers. Zinc supply is expected to remain at high levels as overcapacity remains and demand continues to be suppressed. Future ability to purchase zinc in support of galvanizing demand is not expected to be constrained by supply – however available credit and terms of payment may constrain the amount and timing of supply. Zinc inventories will continue to be managed tightly with a target of no more than one month of supply

Employees and Labour Relations

As of December 31, 2010, the Company had approximately 342 employees of whom approximately 63% are production employees.

Production employees are represented by the following unions:

Operating Unit	No. of Employees	Union Representation	Collective Agreement Expires
Richmond, BC	148	International Brotherhood of Teamsters	June 30, 2012
Ontario, CA	16	None	n/a
Etiwanda, CA	29	United Steelworkers of America	September 8, 2013
Pomona, CA	24	United Electrical, Radio and Machine Workers of America	November 9, 2013
Total	217		

In addition, 37 office employees at the Tree Island division's Richmond plant are represented by the Canadian Office and Professional Employees Union. The collective agreement expires on September 30, 2012.

The collective agreement for the hourly employees at the Etiwanda plant expired on September 8, 2010. During 2010 the Company and the United Steelworkers of America entered into a new 3 year contract expiring on September 8, 2013. Additionally, the collective agreement for the hourly employees at the Pomona facility expired on November 8, 2010. The Company and United Electrical, Radio and Machine Workers of America entered into a new 3 year labour contract on November 8, 2010, expiring on November 8, 2013.

Management believes that relations with the Company's employees are positive and material work stoppages are not expected. Management has not identified any material business issues that could adversely affect the renegotiation of the existing collective agreements with the bargaining agents representing the Company's employees.

Environmental and Occupational Health and Safety Matters

The Company's business operations have been and are subject to extensive federal, provincial, state, municipal and local statutes, regulations and by-laws, permitting and other requirements with respect to workers' health and safety and environmental matters in Canada, the United States and China.

The operation of certain of the Company's facilities includes the transportation, storage, handling, usage and disposal of various industrial chemicals and metals and their discharges to the land, air, water and sewers. The Company has a number of permits necessary to carry on its operations and has adopted procedures and practices designed to ensure compliance with such permits and environmental laws. The Company also has necessary programs, systems and processes in place to ensure worker health and safety is in accordance with such laws. The Company has created an environmental, health and safety management system that is designed to identify environment, health and safety ("EHS") issues, mitigate those issues and monitor performance.

Programs have been implemented to ensure adherence to the Company's EHS policies. The programs include environmental training for employees, implementation of environmentally sound practices, and a continuing focus on corporate due diligence. Audits are periodically done on the EHS management system. The Board of Directors of the Company oversees its EHS responsibilities through the EHS, Compensation and Governance Committee.

While management believes that the Company is currently in substantial compliance with all applicable health, safety, and environmental requirements, there can be no assurance that the Company will in the future be in compliance and that any future non-compliance will not result in a material adverse effect on the Company.

In 2004, the Company settled a claim that zinc from its Richmond plant had leached and contaminated a neighboring property. The Company agreed to remediate the property and reimburse the owner for certain costs incurred by the owner. The total cost accrued for this claim in 2004 was $0.8 million. In 2006, there was ongoing work to obtain government clearance for the remediation work done. It has been determined that a small strip of land still requires remediation before a certificate of compliance will be granted. Due to the impracticality of remediating this small piece of property, the Company purchased this land in December 2009 and amalgamated it with the main Tree Island site. Final steps are being taken to obtain a certificate of compliance. Any future expenses should be covered by the costs accrued in 2004.

As mentioned previously, during the third quarter of 2009, the Fund completed the sale of 12.5 acres of surplus lands at its Richmond, BC manufacturing facility. The agreement contains a condition whereby $1.5 million will be held in trust and will be released upon providing to the purchaser a Certificate of Compliance for the environmental remediation. The environmental remediation was required to be completed within one year from the closing of the sale. If the Fund did not deliver the Certificate of Compliance within one year from the closing of the sale, the purchaser could use the holdback to obtain a Certificate of Compliance. During the second quarter of 2010, the Fund began the remediation work but was unable to complete it by the one year anniversary date. The Fund has incurred $0.6 million up to December 31, 2010 of which $0.5 million was drawn down from the holdback as permitted under the agreement. As of December 31, 2010, the purchaser has not elected to complete the remediation. The Fund is now expecting to complete the remediation and obtain the Certificate of Compliance during 2011 and that the $1.5 million holdback will be sufficient to cover the costs of the remediation.

Expenditures related to compliance with environmental laws and protection initiatives are not material to the Company's consolidated results of operations, cash flow or financial position and, based on current laws, facts and circumstances are not expected to have a material impact in the future. The Company believes its operations are in compliance with applicable environmental laws, rules regulations and guidelines in all material respects.

Effect of United States Anti-Dumping Orders

There is currently one active U.S. Department of Commerce trade order effecting imports of wire rod from six countries and nails from China. The orders are the result of anti-dumping and countervailing cases brought by U.S. domestic producers against Brazil, Indonesia, Mexico, Moldova, Trinidad & Tobago and Ukraine that imposed additional import tariffs of 1.26% to 369% depending on the country. The U.S. Department of Commerce conducted Sunset Reviews on these orders in 2008. The determination was that revocation would result in the recurrence of dumping, so the orders will be continued until 2013.

These United States trade actions have not materially affected the Company's ability to purchase and import wire rod into Canada from its wide range of world-wide qualified sources. The purchase of wire rod from these duty-affected countries does not affect the ability of the Company to sell its finished products to customers in the United States. The Company's US based production facilities have not been materially affected by these import duties and have not been placed at a competitive disadvantage relative to other United States producers of steel wire and fabricated wire products.

The Nail Anti-Dumping order affects imports of certain types of nails. The Anti-Dumping order was imposed in July, 2008. The duties range between 0% and 118.0%, with the majority of producers in China subject to a 21.2% duty. The determination had a positive impact on our business by stabilizing and partially restoring lost margins on domestic nails.

There is currently a trade order effecting imports of stainless steel wire rod from six countries. The orders are the result of anti-dumping and countervailing cases brought by U.S. domestic producers against producers in India, Italy, Japan, Korea, Spain, and Taiwan that imposed additional import tariffs of 0.8% to 48.8% depending on the country. The orders will be continued until 2015.

In addition there are currently trade orders which place duties on the importation of garment hangers and mattress inner springs from certain countries. While we do not compete directly in these markets the imposition of these duties increases the ability of North American companies to compete against low cost jurisdictions and thereby increases the demand for our products in North America.

RISKS RELATING TO THE COMPANY'S BUSINESS

An investment in the Debentures and the Units underlying the Debentures is subject to a number of risks. Prior to making an investment in the Fund's Units or Debentures, potential investors should carefully consider the risks described herein. Additional risks and uncertainties not presently known to the Fund, or that the Fund deems immaterial, may also impair the operations of the Fund and the value of its securities. If such risks actually occur, the business, financial condition, liquidity, and results of operations of the Fund could be materially adversely affected.

Recapitalization Transaction May Not Improve the Fund's Financial Condition

The Recapitalization Transaction may not improve the Fund's liquidity and operating flexibility or allow it to continue operating its business in the normal course for the 2011 fiscal year. Further deterioration in the Fund's consolidated revenues and relationships with suppliers, or the inability to manage costs and inventory would materially adversely affect the Fund's financial condition, liquidity and results of operations and the Fund may not be able to pay its debts as they become due.

Similarly, the inability of the Fund, through its affiliates, to meet its payment and other obligations under the Forbearance Agreements and subsequent amendment to the Forbearance Agreements would have a materially adverse effect on the Fund's financial condition, liquidity and results of operations. As well, the inability to meet interest payments on the Debentures could also adversely affect the Fund's financial condition and liquidity.

There are no assurances that the Fund, through its affiliates will continue to be in compliance with the terms, conditions and covenants of its Senior Credit Facility. A future breach of the terms, conditions and covenants of the Senior Credit Facility could materially adversely affect the Fund's financial condition, liquidity and results of operations.

The occurrence of any of the events described above may affect the Fund's ability to operate as a going concern.

Cyclical Nature of Business and Demand for Our Products

The wire products business is cyclical in nature and markets for our principal products are characterized by periods of supply and demand imbalance, which in turn affects product prices. The market for the Company's products is highly competitive and is sensitive to cyclical changes in the global economy, industry capacity and foreign exchange rates, all of which can have a significant influence on selling prices and the Company's earnings.

Demand for the Company's products has historically been determined by the level of economic growth and has been closely tied to overall business activity. The current global economic conditions especially as they apply to North America, contraction of credit markets and the significant declines in the US housing market in recent years has significantly impacted demand for the Company's products. Since the duration of the general market uncertainty, it is difficult to determine the impact on the demand for the Company's products and if there will be significant change to the historic cyclical pattern of demand. The Company cannot predict the impact of continuing and future economic weakness in its markets nor the impact of war, terrorist activity or other events on its markets. Management cannot estimate the level of growth or contraction for the economy as a whole or for the economy of any particular region or market that we serve. Adverse changes in our financial condition and results of operations may occur as a result of further declines in economic conditions, unemployment, declines in stock markets, contraction of credit availability or other factors affecting economic conditions generally.

Certain market conditions are beyond the Company's control and as such the Company's profitability depends on managing its cost structure, particularly raw materials which represent a significant component of its operating costs and can fluctuate based upon factors beyond its control. If the prices of its products decline, or if the cost of raw materials increase, or both, its sales and profitability could be materially adversely affected.

The Company's production costs are influenced by the availability and cost of raw materials, energy, labour, and the Company's plant efficiencies and productivity. The Company's main raw material is carbon wire rod. The cost of carbon wire rod is cyclical in nature and can vary significantly by location and country.

Competition

The Company faces competition from one or more competitors in all geographic areas where its operations are located and from importers. Many of the Company's competitors have greater resources than the Company so that they may be able to sustain larger losses than the Fund can sustain to develop or continue business. The Company's competitive position is determined in part by its costs in comparison to our competitors. If the Company is not able to manage its costs of raw material, imported products and conversion costs to be lower than or equal to its competitor's costs the Fund will not be able to compete on price with its competitors. In addition, alternative technologies for the manufacturing of steel wire and fabricated wire products could be developed which could adversely affect the Company.

Import competition, particularly from manufacturers in Asia, continues to grow and is putting pressure on volumes and pricing for our fastener, bright low carbon wire and upholstery spring wire segments and anchor bolts. There can be no assurance that the Company will continue to be competitive in the future in the Company's markets that are impacted by imported products.

Supply of Wire Rod, Imported Finished and Semi Finished Products

The Company relies on key suppliers for its wire rod, imported finished and semi finished products. If these suppliers determine that they are not prepared to supply these materials and services to the Company because of credit risk or other matter determined by the supplier, the Company would have to find other sources. This would consume internal resources and could result in higher costs or more significantly the Company may be unable to secure alternative sources of raw materials.

As a non-integrated producer of steel wire and fabricated wire products, the Company must purchase its carbon wire rod supply. Since carbon wire rod cost is a significant portion of cost of sales (45.2% in 2010), shortages or interruptions in supply of carbon wire rod and/or rapid carbon wire rod price increases or decreases can affect results on a short-term basis.

Supply of Stainless Steel, Zinc and Other Materials and Services

The Company relies on key suppliers for its stainless steel, zinc and other materials and services. If these suppliers determine that they are not prepared to supply these materials and services to the Company because of credit risk or other matter determined by the supplier, the Company would have to find other sources which would consume internal resources and result in higher costs. More significantly, the Company may be unable to secure alternative sources of raw materials.

Stainless steel wire rod which accounted for 6.4% of cost of sales in 2010 is purchased from domestic and international suppliers. The cost of stainless steel wire rod is significantly impacted by the cost of the alloys used in the steel to provide its anti-corrosive properties. Nickel, chrome and molybdenum are three of the primary alloys used, with nickel being the most significant of the three. The cost of these alloys fluctuates significantly with market conditions. In 2010 the alloy components increased by as much as 38%, causing stainless steel wire rod costs to rise 33% by the end of the year. The current industry projections indicate that stainless steel costs will continue to increase in the first quarter of 2011.

Used in the manufacture of galvanized nails, galvanized fencing and galvanized wire, zinc is the third largest raw materials cost for the Company and accounted for approximately 3.1% of the cost of sales in 2010. The Company's requirements are sourced from major domestic suppliers. Zinc supply is expected to remain at high levels as overcapacity remains and demand continues to be suppressed. Future ability to purchase zinc in support of galvanizing demand is not expected to be constrained by supply – however available credit and terms of payment may constrain the amount and timing of supply. Zinc inventories will continue to be managed tightly with a target of no more than one month of supply

The Company and its competitors attempt to pass along increases in raw material costs to customers through increased prices for finished products. However, there can be no assurance that such costs can be passed along, in whole or in part, in the future, with the effect that the Company's margins could be adversely affected by raw material cost increases.

Dependence on Construction Industry

Approximately 31% of the Company's sales volume in 2010 was directly related to the level of home construction activity. In addition, 17% of sales were related to the commercial and infrastructure markets, resulting in construction accounting for 48% of the Company's sales in 2010. Volume and price are affected by numerous factors beyond the control of the Company or its customers, including the level of construction activity which is affected by the general level of the economy. Based on data provided by the U.S. Census Bureau, Western U.S. housing starts in 2010 were 3.1% higher than 2009, but was still 38.6% below 2008 levels. This reduction in housing starts continues to put pressure on demand and pricing for our products.

Relocation of Customers of Tree Island to Lower Cost Jurisdictions

Traditional North American consumers of wire products (i.e. customers of Tree Island) have been relocating to jurisdictions outside of North America and this has significantly impacted sales volumes for Tree Island and could continue to negatively impact volumes in the future.

Significant Exposure to the Western United States Due to Lack of Geographic Diversity

Tree Island's business has been historically been over-reliant on customers located in the western United States. In 2010, 47.6% of Tree Island's sales were in the western United States. California was the single largest market representing 29.6% of sales. There can be no assurances that continued concentration in markets in the western United States will not have a negative impact on Tree Island's results or that Tree Island's diversification strategies will be successful.

Foreign Exchange Fluctuations

The Company is also sensitive to foreign exchange exposures when commitments are made to purchase raw materials or finished and semi-finished goods quoted in a currency other than the Canadian dollar. The risk primarily relates to purchases of carbon and stainless steel wire rod, zinc, imported finished or semi-finished goods and natural gas.

In 2010, approximately US$29.3 million of sales from the Company's Canadian operations were earned in US dollars (US$33.5million in 2009) and approximately US$50.2 million of its costs were incurred in US dollars (US$62.3 million in 2009). While this provides a partial hedge against currency fluctuations, changes in the value of the Canadian dollar affect profitability. The Company also generates a portion of its profits from its operations in the US and changes in the value of the Canadian dollar relative to the US dollar has an impact on the conversion of these profits into Canadian dollars, which is the Company's reporting currency.

The Company has foreign currency exposure to the US portion of Long Term debt amounting to approximately $35 million. The Company also has a foreign currency exposure to RMB and HK dollars as a result of the operations of Tree Island International.

Fluctuations in the Canadian dollar exchange rate against the US dollar, RMB or HK dollar can have a material effect on the Company's business, results of operations and financial performance.

Leverage and Restrictive Covenants

The Fund has third-party debt service obligations under its Senior Credit Facility, Debentures, and Forbearance Agreements. The degree to which the Fund is leveraged could have important consequences to the holders of the Units, including: (i) the Fund's ability to obtain additional financing for working capital; (ii) a portion of the Fund's cash flow from operations will be dedicated to the payment of the principal of and interest on its indebtedness, thereby reducing funds available for distribution to the Fund; (iii) a substantial decrease in net operating cash flows or increase in expenses could make it more difficult to meet debt service requirements; (iv) the Fund's leveraged capital structure could place it at a competitive disadvantage by hindering its ability to adjust rapidly to changing market conditions or by making it vulnerable to a downturn in its business or the economy in general; and (v) the Senior Credit Facility, being at variable rates of interest, exposes the Fund to the risk of increased interest rates.

The Fund's ability to make scheduled payments of the principal of or interest on, or to refinance, its indebtedness, including the Debentures, Forbearance Agreements and subordinated Notes held by the Fund as well as its ability to finance working capital requirements, will depend on its future cash flow, which is subject to the operations of the Fund's business, prevailing economic conditions, prevailing interest rate levels, and financial, competitive, business and other factors, many of which are beyond its control.

There are no assurances that the Fund will be able to generate sufficient cash flow from the operations to obtain sufficient borrowings under the Senior Credit Facility at reasonable terms or at all, to finance our liquidity needs.

The Fund's Senior Credit Facility, Long Term debt and Debentures and associated agreements contain restrictive covenants that limit the discretion of the Fund's management with respect to certain business matters. These covenants place restrictions on, among other things, the ability of the Fund to incur additional indebtedness, to create liens or other encumbrances, to pay interest on the Debentures, distributions, dividends or 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 Fund's Senior Credit Facility contains financial covenants that require the Fund to meet certain financial ratios and financial condition tests. A failure to comply with the obligations in the Senior Credit Facility could result in an event of default which, if not cured or waived, could permit acceleration of the relevant indebtedness and acceleration. If the indebtedness under the Fund's Senior Credit Facility were to be accelerated, there can be no assurance that the Fund's assets would be sufficient to repay in full that indebtedness.

Currently the Fund does not anticipate being in default of the requirements of the Senior Credit Facility, Long Term debt, Debentures and associated agreements. However, due to the difficulty in predicting the continued severity and duration of the current economic conditions, further declines in steel rod prices, continued weakening in the markets served by the Fund, an inability to source raw materials, finished or semi-finished goods, and/or significant customer or credit losses could cause the Fund to violate its financial covenants in 2011. This, in turn, could cause the indebtedness to become immediately due and payable, and the Fund might not be able to access funds under its Senior Credit Facility. In the event of such a circumstance, the Fund anticipates that it would need to raise additional capital in the form of equity or debt to supplement or replace the existing Senior Credit Facility in order to have sufficient liquidity to meet obligations in 2011.

Transition to IFRS

The Canadian Accounting Standards Board (AcSB) requires all public companies to adopt IFRS, replacing Canadian GAAP, for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Fund is required to prepare comparative consolidated financial information using IFRS for the year ended December 31, 2010. It is expected that the transition to IFRS to impact financial reporting, business processes and information systems.

The Fund in the in the process of finalizing the impact of adopting IFRS on the financial statements; however, it should be noted that the current financial statements may be significantly and materially different presented in accordance with IFRS. A more detailed discussion is provided in the Fund's 2010 Annual Report under Management's Discussion and Analysis.

International Operations

The Company has operations in China through its subsidiary, Tree Island International. These operations are subject to risks normally associated with the conduct of business in foreign jurisdictions, including: uncertain political and economic environments; war, insurrections and other civil disturbances; changes in laws, regulations and taxation; foreign currency exchange controls; nationalization, expropriation of assets or property without compensation, and limitations on the repatriation of earnings. These risks may limit or disrupt operations, increase costs, restrict the movement of funds, or result in the loss of property. Although the Company closely monitors these risks, there can be no assurance that the Company will not be adversely affected by political and other events beyond its control.

Intellectual Property Risks

We believe that our trademarks and trade names are generally sufficient to permit us to carry on our business as presently conducted and planned. We cannot, however, know whether we will be able to secure protection for our intellectual property in the future, or if that protection will be adequate for future operations. Further, we may face the risk of ineffective protection of intellectual property rights in foreign jurisdictions. We also cannot be certain that our activities do not infringe on the proprietary rights of others. If we are compelled to prosecute infringing parties, defend our intellectual property, or defend ourselves from intellectual property claims made by others, we may face significant expenses and liability. In 2007 the Company had a lawsuit filed against a patent it has on its TrueSpec collated nail head identification system. This lawsuit has been resolved in favour of Tree Island.

Labour Relations

Most of the Company's operations are unionized. Strikes or lockouts could restrict the ability of the Company to operate and to service its customers. In addition, any work stoppage or labour disruption at key customers or transportation providers could impede its ability to supply products, to receive critical equipment and supplies for its operations or to collect payment from customers encountering labour disruptions. Work stoppages or other labour disruptions could increase the Company's costs or impede its ability to operate one or more of its operations.

Dependence on Key Personnel and Skilled Workers

Our success will be substantially dependent on the continued services of senior management of the Company. The loss of the services of one or more members of senior management of the Company could adversely affect our financial results. In addition, our continued growth depends on the ability of the Company to attract and retain skilled managers and employees and the ability of its personnel to manage the Company's growth.

The Company's operations also require employees and contractors with a high degree of specialized technical, management and professional skills such as engineers, trades people and equipment operators. In the future, if the Company is not able to retain or recruit new skilled workers, a decrease in productivity or an increase in costs may result which could have a negative effect on the Company's business operations and financial performance.

Reliance on Key Customers

The Company has many customers but some are more significant in terms of total revenues and profitability although none comprise more than 10% of total revenues. A loss or failure of one or more key customers could have an adverse effect on the Corporation's business, results of operations and financial performance.

Environmental Matters

The Company's operations are subject to numerous environmental laws as well as guidelines and policies. These laws, guidelines and policies govern, among other things, unlawful discharges to land, air, water and sewers; waste collection, storage, transportation and disposal; hazardous waste; dangerous goods and hazardous materials and the collection, storage, transportation and disposal of such substances; the clean-up of unlawful discharges; land use planning; municipal zoning; and employee health and safety. In addition, as a result of the Company's operations, it may become subject to remediation or other administrative orders, or amendments to its operating permits, and it may be involved from time to time in administrative and judicial proceedings or inquiries relating to environmental matters. Future orders, proceedings or inquiries regarding environmental matters could have a material adverse effect on the Company's business, financial condition and results of operations.

Environmental laws and land use laws and regulations throughout Canada and the United States are constantly changing. New regulations or the increased enforcement of existing laws could have a material adverse effect on the Company's business and financial condition. In addition, compliance with regulatory requirements is expensive, at times requiring the replacement, enhancement or modification of equipment, facilities or operations. It cannot be assured that the Company will be able to maintain its profitability by offsetting any increased costs of complying with future regulatory requirements.

The Company is or could be subject to liability for any environmental damage at facilities that it owns or operates, including damage to neighboring landowners or residents, particularly as a result of the contamination of soil, groundwater or surface water and especially drinking water. The costs of such liabilities can be substantial. The Company's potential liability may include damages resulting from conditions existing before it purchased or operated these facilities. The Company may also be subject to liability for any off-site environmental contamination caused by pollutants or hazardous substances that it or its predecessors arranged to transport, treat or dispose of at other locations.

In addition, the Company may be held legally responsible for liabilities as a successor owner of businesses that it acquires or has acquired. These businesses may have liabilities that the Company fails or is unable to discover, including liabilities arising from non-compliance with environmental laws by prior owners. Because of the limited availability of insurance coverage for environmental liability, any substantial liability for environmental damage could materially adversely affect the Company's operations and financial condition.

Energy Costs

The Company's manufacturing facilities consume electricity and natural gas. Material increases in energy costs could adversely affect the Company's results of operations and financial performance. As well future taxes on or regulation on these energy sources could add to the Company's costs and negatively impact results of operations and financial performance.

In Q4 2008, we received informal notice that another business adjacent to the Etiwanda property was seeking to expand its manufacturing facility by installing a new rolling line which would have potentially required the re-routing of a key electrical power line to the Etiwanda facility at a cost to the Company of approximately US$0.75 milllion and increased the annual electricity costs of approximately US $0.2 million per year. Subsequently, notice was provided by the business that it had suspended work indefinitely on the expansion project due to the current economic climate. Consequently, any impact in the near-term is not expected. However, if the project is restarted, the Company may not be able to reduce its exposure to these increased costs.

Transportation Costs

The Company relies upon third parties for the transportation of its products to its customers, as well as for the delivery of the Company's raw materials to its production facilities. Raw materials are principally transported by truck, rail and sea-going vessels, all of which are highly regulated. Increases in transportation rates can also materially adversely affect the Company's results of operations.

Further, if the Company's transportation providers fail to deliver its products in a timely manner, it could negatively impact customer relationships and the Company may be unable to sell its products at full value. If the Company's transportation providers fail to deliver its raw materials in a timely fashion, it may be unable to manufacture its products in response to customer orders. Also, if any transportation providers were to cease operations, the Company may be unable to replace them at a reasonable cost. The occurrence of any of the foregoing events could materially adversely affect the Company's results of operations.

Acquisition and Integration Strategies

As part of its business strategy, the Company may pursue strategic acquisitions. There can be no assurance that the Company will find additional attractive acquisition candidates or succeed at effectively maintaining the integration of any businesses acquired in the future.

Acquisitions involve a number of risks, including: (a) the possibility that the Company, as a successor owner, may be legally and financially responsible for liabilities of prior owners; (b) the possibility that the Corporation may pay more than the acquired Company or assets are worth; (c) the additional expenses associated with completing an acquisition and amortizing any acquired intangible assets; (d) the difficulty of integrating the operations and personnel of an acquired business; (e) the challenge of implementing standard controls, procedures and policies throughout an acquired business; (f) the inability to integrate, train, retain and motivate key personnel of an acquired business; and (g) the potential disruption of the Company's ongoing business and the distraction of management from its day-to-day operations. These risks and difficulties, if they materialize, could disrupt the Company's ongoing business, distract management, result in the loss of key personnel, increase expenses and otherwise have an adverse effect on the Company's business, results of operations and financial performance.

Product Liability

The Company is subject to potential product liabilities connected with its operations, including liability and expenses associated with product defects. There are no assurances that the Company will always be adequately insured against all such potential liabilities.

Insurance

The Company's operations are subject to customary risks of loss or damage in any manufacturing business. The Company will maintain insurance policies with insurers in such amounts and with such coverages and deductibles as it believes are reasonable and prudent. Certain of the Company's manufacturing facilities are located in seismically active areas and the Company maintains limited insurance coverage for losses arising from seismic damage due to the cost and limited scope of available coverage. There can be no assurance that insurance maintained by the Company will be adequate to protect the Company from all material expenses related to potential future claims for personal or property damage.

Credit Risk

Tree Island is exposed to credit losses in the event of non-payment of accounts receivable of its subsidiaries' customer accounts. However the credit risk is minimized through selling to well-established customers of high credit quality. The credit worthiness of customers is assessed using credit scores supplied by a third party and through direct monitoring of their financial well-being on a continual basis. Tree Island establishes guidelines for customer credit limits and should thresholds in these areas be reached, appropriate precautions are taken to improve collectability and/or reduce credit risk exposure. Tree Island maintains provisions for potential credit losses (allowance for doubtful accounts) and any such losses to-date have been within management's expectations.

Operating Risk

Interruptions in the Company's production capabilities will increase its production costs and reduce its profitability. The Company may experience material shutdowns or periods of reduced production because of equipment failures and this risk may be increased by the age of certain of the Company's facilities. In addition to equipment failures, the Company's facilities are also subject to the risk of loss due to unanticipated events such as major information system failures, fires, explosions, earthquakes, adverse weather conditions or other catastrophic events. Material shutdowns or reductions in operations could have a material adverse effect on the Company's business, results of operations and financial performance. Remediation of an interruption in production capability or failure of information systems could require the Company to make large capital expenditures. Further, longer-term business disruptions could result in a loss of customers. All of these factors could have a material adverse effect on the Company's business, results of operations and financial performance.

Access to Future Markets

Tree Island's access to markets in which it operates may be subject to ongoing interruptions and trade barriers due to policies and tariffs of individual countries and the actions of interest groups to restrict the import of certain commodities. There can be no assurance that Tree Island's access to these markets will not be restricted in the future.

Management of Growth

In order to manage its current operations and any future growth effectively, Tree Island will need to continue to implement and improve its operational, financial and management information systems and to hire, train, motivate, manage and retain its employees. There can be no assurance that Tree Island will be able to do this successfully to achieve increased levels of revenue commensurate with increased levels of operating expenses associated with growth, and failure to do so could have a negative effect on Tree Island's business, financial condition and results of operations.

RISK INHERENT IN AN INVESTMENT OF UNITS AND DEBENTURES

Dependence on the Company

The Fund is an open ended, limited purpose trust and is entirely dependent on the operations and assets of the Company through its ownership of the common shares of the Company (the "Common Shares") and the notes issued by the Company to the Fund (the "Notes"). Although the Fund intends to distribute the interest and dividend income it earns, less expenses and amounts, if any, paid in connection with the redemption of Units, there can be no assurance regarding the amounts of income to be generated by the Company and therefore funds available to the Fund. Accordingly, the Fund's ability to make cash distributions is dependent upon the ability of the Company to pay its interest obligations under the Notes and to declare dividends or other returns of capital in respect of the Common Shares, which ability, in turn, is dependent upon the operations and assets of the

Company. The actual amount paid or distributed to the Fund, and distributed to Unitholders, will depend upon numerous factors including profitability, determination of taxable income and taxes payable by the Company, fluctuations in working capital, and the sustainability of margins and capital expenditures.

The decline in global steel prices in the fourth quarter of 2008, together with weaker market demand and pricing constrained the Company's cash flows and necessitated a reduction in cash distributions in November 2008 followed by a suspension of cash distributions, beginning in January 2009. There can be no assurance that the Fund will be able to recommence distributions or whether future distributions, if any, will be at historic levels or that there will be any future increases in such distributions.

Income Tax

The operating income of the Company and its subsidiary are subject to Canadian, United States, Hong Kong and Chinese tax laws and the Fund is subject to Canadian tax laws, all of which may be changed in a manner that could adversely affect the amount of distributable cash available to Unitholders. There can be no assurance that Canadian federal income tax laws respecting the treatment of mutual fund trusts will not be changed in a manner which adversely affects the holders of Units.

On June 22, 2007, the Parliament of Canada passed into law Bill C-52, an Act to implement certain provisions of the federal budget tabled in Parliament on March 19, 2007. Consistent with the proposal announced by the Minister of Finance on October 31, 2006, the Bill included legislation to tax certain publicly traded trusts and partnerships on the taxable portion of their distributions. Commencing January 1, 2011 (and subject to the qualification below), the Fund will no longer be entitled to deduct certain of its distributed income (referred to as specified income) and will be subject to a distribution tax on the specified income at a special rate estimated to be 31.5%. The Fund could become subject to this distribution tax prior to January 1, 2011 if it engages in "undue expansion" as set out in the guidelines released by the Department of Finance on December 15, 2006 and which was incorporated by reference in Bill C-52.

These changes are expected to result in adverse tax consequences to the Fund and certain Unitholders (including most particularly Unitholders that are tax exempt or non-residents of Canada) and may impact cash distributions (if any) from the Fund. Further, these changes may reduce the value of the Units, which would be expected to increase the cost to the Fund of raising capital in the public capital markets and are also expected to make the Units less attractive as an acquisition currency. As a result, it may become more difficult for the Fund to compete effectively for acquisition opportunities. There can be no assurance that the Fund will be able to reorganize its legal and tax structure to substantially mitigate the expected impact of these changes.

Nature of Trust Units

The Units share certain attributes common to both equity securities and debt instruments. The Units do not represent a direct investment in the Company and should not be viewed by investors as shares in the Company. As holders of Units, Unitholders do not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions. The Units represent a fractional interest in the Fund. The Fund's primary assets are the Notes and Common Shares. The price per Unit is a function of anticipated distributable cash and other market factors.

The Units are not "deposits" within the meaning of Canada Deposit Insurance Corporation Act (Canada) and are not insured under the provisions of the Act or any other legislation. Furthermore, the Fund is not a trust company and, accordingly, is not registered under any trust and loan company legislation as the Fund does not carry on or intend to carry on the business of a trust company.

Capital Investment

The timing and amount of capital expenditures by the Company will directly affect the amount of income available for distribution to Unitholders. Distributions may be reduced, or even eliminated, at times when significant capital or other expenditures are made.

Restrictions on Potential Growth

The payout by the Fund of substantially all of its operating cash flow will make additional capital and operating expenditures dependent on increased cash flow or additional financing in the future. Additional financing may not be available when required or if available, the terms may not be favourable to the Fund and may involve dilution to existing unitholders. Failure to obtain financing or increased cash flow could limit the future growth of the Fund and its cash flow.

Effect of Market Interest Rates on Price of Units and Debentures

One of the factors that may influence the price of the Units in public trading will be the annual return from distributions by the Fund on the Units as compared to returns on other financial instruments. An increase in market interest rates will result in higher returns on other financial instruments, which could adversely affect the market price of the Units.

Prevailing interest rates will affect the market value of the Debentures. The price or market value of the Debentures will decline as prevailing interest rates or interest rates on comparable securities rise.

In addition, securities markets around the world experienced price and volume volatility in 2008, and the market price of securities of many companies has decreased substantially. Such decrease was not necessarily related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur.

Distribution of Securities on Redemption or Termination of the Fund

Upon redemption of Units or termination of the Fund, the trustees may distribute the Common Shares directly to the Unitholders subject to obtaining any required regulatory approvals and complying with the requisite terms and conditions of such approvals. Common Shares so distributed may not be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans, depending upon the circumstances at the time.

Dilution of Unitholders' Interest

Units

The Declaration of Trust authorizes the Fund to issue an unlimited number of Units for the consideration and on those terms and conditions as are established by the trustees without the approval of Unitholders. Any further issuance of Units will dilute the interests of existing Unitholders.

Debentures

The Fund may issue units in connection with the conversion of Debentures issued by the Fund, from time to time, as well as to satisfy its obligations to pay interest in the Debentures which would dilute Unitholders' interest. In addition, any conversion of the Warrants issued pursuant to the Private Placement will result dilution of Unitholders' interest.

Investment Eligibility and Foreign Property

There can be no assurance that the Units and the Debentures will continue to be qualified investments for registered retirement savings plans, deferred profit sharing plans, registered retirement income trusts and registered education savings plans. The Income Tax Act (Canada) (the "Tax Act") imposes penalties for the acquisition or holding of non-qualified or ineligible investments.

Unitholder Limited Liability

The Declaration of Trust provides that no Unitholder will be subject to any liability in connection with the Fund or its obligations and affairs or for any act or omission of the trustees and, in the event that a court determines Unitholders are subject to any such liabilities, the liabilities will be enforceable only against, and will be satisfied only out of, each Unitholder's share of the Fund assets, as represented by the Unit certificates. The Declaration of Trust further provides that all written instruments signed by or on behalf of the Fund shall contain a provision or be subject to an acknowledgement to the effect that such obligation will not be binding upon Unitholders personally and that such provision or acknowledgment shall be held in trust and enforced by the trustees for the benefit of the Unitholders.

However, in conducting its affairs, the Fund will assume certain contractual obligations and may have to assume further obligations in the future. Although the Trustees will use reasonable efforts to have any contractual obligations modified so as not to have such obligations binding upon any of the Unitholders personally, they may not obtain such a modification in all cases. To the extent that any claims under such contracts are not satisfied by the Fund, there is a risk that a Unitholder will be held personally liable for obligations of the Fund where the liability is not disavowed as described above.

Notwithstanding the terms of the Declaration of Trust, Unitholders may not be protected from liabilities of the Fund to the same extent as a shareholder is protected from the liabilities of a corporation. Personal liability may also arise in respect of claims against the Fund (to the extent that claims are not satisfied by the Fund assets) that do not arise under contracts, including claims in tort, claims for taxes and possibly certain other statutory liabilities. The business of the Fund and its wholly-owned subsidiary, the Company will be conducted upon the advice of counsel, in such a way and in such jurisdictions so as to avoid, as much as possible, any material risk of liability to the Unitholders for claims against the Fund including obtaining appropriate insurance, where available, for the operations of the Company and ensuring that all written agreements signed by or on behalf of the Fund include a provision that such obligations are not binding upon Unitholders personally. However, there can be no assurance that a Unitholder will not be subject to liability in the future.

Insiders May Control Votes

Following completion of the Offering, Futura, Marret and Arbutus own (after giving effect to the dilutive impact of conversion of all of the Debentures and the Private Placement Debentures and exercise of all of the Warrants), 16,239,400, 11,590,500 and 8,246,800 units of the Fund ("Units") respectively, representing approximately 24.4%, 17.4% and 12.4%, respectively, of the outstanding Units on a fully-diluted basis and are each in a position to materially impact control of the Fund. If the insiders were to act together, they may be in a position to either pass or block votes of holders of Debentures and Units. Investors should be aware that votes in respect of the Debentures and Units may be controlled by a small group of insiders.

Subordination

In respect of the payment of principal and interest, the Debentures will (a) rank pari passu in right of payment, without discrimination, preference or priority, with all other debentures issued pursuant to the Trust Indenture (including pursuant to the Private Placement), and (b) be subordinate in right of payment to all Senior Indebtedness.

In the event of any insolvency or bankruptcy proceedings, or any receivership, liquidation, reorganization or other similar proceedings relative to the Fund, its property or its assets, or in the event of any proceedings for voluntary liquidation, dissolution or other winding-up of the Fund, whether or not involving insolvency or bankruptcy, or any marshalling of the assets and liabilities of the Fund, holders of Senior Indebtedness must receive payment in full before holders of Debentures are entitled to any payment. Following payment in full to holders of Senior Indebtedness, the Debentures will rank pari passu on the distribution of any remaining assets in satisfaction of any obligations owing on the Debentures. See

In addition, the senior lenders' first priority security interest on the assets of the Fund's material subsidiaries could mean that such assets will not be available to satisfy any obligations owing on the Debentures. As a result, in the event of a liquidation of the Fund and/or its material subsidiaries, it is possible that the holders of Debentures would not recover the full or any amount of their investment.

There are no restrictions under the terms of the Debentures on the ability of the Fund to incur additional secured or senior indebtedness in the future. In the event of a bankruptcy, liquidation or reorganization and in certain other events, the Fund's assets will be available to pay obligations on the Debentures only after all liabilities and the Fund's secured or senior indebtedness, have been repaid in full. After satisfying these obligations, the Fund may not have sufficient assets remaining to pay amounts due on any or all of the Debentures then outstanding. The Fund's incurrence of additional debt and other liabilities could adversely affect the Fund's ability to pay its obligations under the Debentures.

Additionally, pursuant to the Proceeds Sharing Agreement, the first $6.0 million of any net proceeds that are received by the Debenture Trustee from the Fund or the Company or Tree Island Wire, as guarantors, in respect of the amounts owing by the Fund under the Debentures, including the Private Placement Debentures, following an event of default that results in an acceleration of Debenture Liabilities under the Trust Indenture, will be divisible and payable 50% thereof to the Debenture holders and 50% thereof to the counterparites of the Forbearance Agreements so long as the amounts paid to the counterparties of the Forbearance Agreements represent amounts then due to them pursuant to the Forbearance Agreements and will not reduce the balance of Debenture liabilities owing from the Fund to the Debenture holders.

Redemption Prior to Maturity

Except upon the occurrence of a Change of Control, the Debentures will not be redeemable on or before November 26, 2012. After such date and on or prior to the Maturity Date, the Debentures may be redeemed in cash, in whole or in part, from time to time at the option of the Fund on at least 30 days prior written notice, at a price equal to the principal amount plus all accrued and unpaid interest, provided that the weighted average trading price for the Units on the TSX for the 30 consecutive trading days ending on the date that is no more than 10 business days prior to the date on which notice of redemption is given is greater than 150% of the Conversion Price. Holders of Debentures should assume that the Fund will exercise this redemption option if the Fund is able to refinance at a lower interest rate or it is otherwise in the interests of the Fund to redeem the Debentures.

Payment of Principal and Interest on the Debentures

The Fund's ability to pay principal and interest on the Debentures when due will depend, in part, on the ability of the Recapitalization Transaction to improve the Fund's financial condition over the long-term. In the event that the financial condition of the Fund does not improve, or deteriorates further, the Fund may not be able to pay principal and interest on the Debentures.

Additionally, the Intercreditor Agreement also provides that, if as a result of any accounting adjustments based on the annual audit of the Company, either agent of the Fund's senior lenders determines, in its reasonable judgment, that a prior cash interest payment made by the Fund in respect of the Debentures would have been prohibited under the terms of the Intercreditor Agreement had such adjusted figures been in effect on the date of such interest payment, then holders of Debentures who received such payment must, within five days of receipt by the

Debenture Trustee of notice of such determination, return the full amount of the interest payment to the Debenture Trustee. In such event, the returned payment may be paid by the Fund to holders of Debentures on any subsequent regularly scheduled quarterly interest payment date, provided that it is not prohibited from making such payment under the Intercreditor Agreement.

Restriction on Cash Interest Payments on the Debentures

Under the terms of the Intercreditor Agreement, the Fund is prohibited from making cash interest payments on the Debentures if: (i) an event of default exists under the debt documents related to its senior debt; (ii) the aggregate borrowing availability under the senior debt documents, after giving effect to a contemplated cash distribution, does not exceed $5.5 milllion on the date of such distribution or on an average daily basis for the 30 calendar day period immediately preceding such distribution; or (iii) the Fund has failed to deliver certain monthly compliance certificates under the senior debt documents.

Inability of the Fund to Purchase Debentures on Change of Control

The holders of the Debentures have the right to require the Fund to repurchase their Debentures, in whole or in part, at a price equal to 110% of the principal amount of the Debentures, together with any accrued and unpaid interest, upon the occurrence of a Change of Control. It is possible that following a Change of Control the Fund will not have sufficient funds to make the required repurchase of Debentures or that restrictions contained in other indebtedness will restrict those purchases.

TRUSTEES, DIRECTORS AND OFFICERS

The name and municipality of residence of each of the trustees of the Fund and directors and executive officers of the Company (along with their respective positions and offices held with the Fund or the Company and their respective principal occupation) as of the date of this Annual Information Form is set out below. Trustees serve until the next Annual Meeting of the Unitholders or until they sooner cease to hold office. The following biographical information concerning the trustees has been provided by them.

Trustees			
Name and Residence	***Principal Occupation***	***Trustee Since***	***Units Held as of March 15, 2011(3)***
Amar S. Doman British Columbia, Canada	President and Chief Executive Officer, The Futura Corporation (an asset management and investment firm)	January 30, 2009	4,364,400[4]
Michael A. Fitch, Q.C.[1][2] British Columbia, Canada	Corporate Director	May 11, 2007	40,642
Theodore A. Leja Washington, USA	President and Chief Executive Officer, Tree Island Wire Income Fund	November 12, 2002	169,593
Sam Fleiser[1][2] Ontario, Canada	President, Callidus Capital Corporation, (a financing company)	June 24, 2009	NIL
Harry Rosenfeld[1] British Columbia, Canada	Executive Vice President, The Futura Corporation (an asset management and investment firm)	January 30, 2009	Note [5]

(1) The Fund is required to have an Audit Committee. The members of this committee are Mr. Fleiser (chair), Mr. Fitch and Mr. Rosenfeld.
(2) The trustees have established an EHS, Compensation and Governance Committee whose members are Mr. Fitch (chair) and Mr. Fleiser.
(3) Represents the number of Units beneficially owned, directly or indirectly, or over which control and direction is exercised by such individual. The trustees and the officers of Tree Island as a group beneficially own, directly or indirectly, or exercise control or direction over 20% of the issued and outstanding Units.
(4) Mr. Doman is the sole shareholder of The Futura Corporation ("Futura"), which owns 4,364,400 units, or 19.1%, of the Fund. Futura also owns $5 million of Debentures and 1,875,000 Warrants – see "General Development of the Business – Recapitalization Transaction"
(5) Mr. Rosenfeld is an Executive Vice President of Futura which owns 4,364,400 Units of the Fund

Executive Officers			
Name and Residence	***Office Held***	***Units Held as of March 15, 2011(1)(2)***	***Phantom Units Held as of March 15, 2011(1)***
Theodore A. Leja, Washington, USA	President and Chief Executive Officer	169,593	Nil
Brian Irving British Columbia, Canada	Vice President, Finance and Chief Financial Officer	22,704	62,029
Ken Stuttaford California, USA	Vice President, Sales and Marketing	5,938	8,334
Mark Stock British Columbia, Canada	Vice President, Global Human Resources	32,430	14,169
Steve Ogden, British Columbia, Canada	Vice President, Engineering and Technology	18,837	6,013

(1) Represents the number of Units and Phantom Units beneficially owned, directly or indirectly, or over which control and direction is exercised by such individual. Phantom Units are issued pursuant to the Fund's long term unit incentive plan. Subject to vesting conditions determined by the Board, Phantom Units can be exchanged by holders at any time for Units to be issued from treasury for no further consideration. Phantom Units do not entitle the holder to the exercise of voting rights, the receipt of distributions other than additional Phantom Units, or the exercise of any other rights attaching to the ownership of Units.
(2) Certain of the executive officers also own Debentures as follows: Mr. Irving - $4,500; and Mr. Stock - $24,600 – see “General Development of the Business – Recapitalization Transaction”.

Except as described below, each of the individuals named above has been engaged for more than five years in his or her present principal occupation or organization in which he or she currently holds his or her principal occupation**.**

Michael A. Fitch – Mr. Fitch was a senior partner with the law firm of Fasken Martineau DuMoulin, LLP until his retirement from the practice of law January 2007. His areas of expertise include corporate restructuring and corporate board governance.

Theodore A. Leja – Mr. Leja joined Tree Island as President and Chief Operating Officer in 1992. He was President and Chief Executive Officer of Tree Island from 1997 to October 2006. He became President and Chief Executive Officer again on July 6, 2009 after the departure of Mr. McAtee, the Company’s previous President and Chief Executive Officer.

Ken Stuttaford – Mr. Stuttaford was appointed Vice President Sales and Marketing of Tree Island in May 2008. Previously he was Vice President Value Added Products for Lafarge from April 2007 to May 2008. Prior to that, he was Vice President Sales and Marketing at Monier Lifetile from November 2004 to April 2007.

Mark Stock – Mr. Stock was appointed Vice President Global Human Resources of Tree Island in July 2007. Previously, he was Vice President Human Resources at CHC Helicopter Corporation from April 2005 to April 2007. Prior to that, he was Vice President Human Resources and Information Technology with TimberWest Forest Corporation from 2002 to 2005.

The Fund is not required to have an executive committee. The trustees have appointed Mr. Doman to serve as Chair of the Board of Trustees of the Fund and the Board of Directors of Tree Island. The Fund, as the sole shareholder of Tree Island, generally elects each of the trustees to serve as directors on the Board of Directors of Tree Island following their election as trustees at the Fund's annual meeting.

To the knowledge of management of Tree Island, none of the individuals named above is at the date hereof or has been within the past ten years: (i) a director, chief executive officer or chief financial officer of any company that, while such individual was acting in such capacity, was the subject of an event that resulted in, after such individual ceased to act in such capacity, an order within the meaning of Form 51-102F5 of National Instrument 51-102 - *Continuous Disclosure Obligations*; (ii) a director or executive officer of any company that, while such individual was acting in such capacity or within a year of such individual ceasing to act in such capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (iii) been bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or became subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold any of his or her assets.

In March 2002, Mr. Fleiser was appointed as Chief Restructuring Officer and Interim President for AIM Global Technologies whose shares had been suspended from the American Stock Exchange and the Toronto Stock Exchange prior to his appointment. In October 2002, a receiver was appointed and the assets of AIM Global Technologies were sold under a court-supervised process. Mr. Fleiser resigned upon completion of this process. From 1996 to 2002 Mr. Fleiser specialized in assisting distressed businesses who were facing serious financial or management crisis and was often retained as Chief Restructuring Officer or Interim Chief Executive Officer. Many of these engagements involved receivership or a bankruptcy proceeding as part of the restructuring process

To the knowledge of management of Tree Island, none of the individuals named above has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable security holder in deciding whether to vote for such individual as trustee of the Fund.

The trustees and the officers of Tree Island as a group beneficially own, directly or indirectly, or exercise control or direction over 20% of the issued and outstanding Units.

Audit Committee

The Board has established an Audit Committee, which is presently comprised of Mr. Fleiser (chair), Mr. Rosenfeld and Mr. Fitch. Each member of the Audit Committee is independent, other than Mr. Rosenfeld, and financially literate as such term is defined in National Instrument 52-110 —*Audit Committees* (“NI 52-110).. The terms of reference of the Audit Committee (the "Audit Committee Terms of Reference") requires at least one member of the Audit Committee to have accounting or related financial expertise.

Mr. Rosenfeld is not independent as defined in NI 52-110. See below under “*Exemptions”.Relevant Education and Experience*

Each member of the Audit Committee has acquired significant financial experience and exposure to accounting and financial issues.

Sam Fleiser - Sam Fleiser is the President of Callidus Capital Corporation, a privately held finance company that provides financing to distressed or under-performing companies. Mr. Fleiser has more than 20 years of experience in managing, building and restructuring numerous businesses in a wide variety of industries. Prior to forming Callidus in 2003, Mr. Fleiser specialized in assisting distressed businesses facing serious financial or management crisis. Mr. Fleiser is a director of the Leukemia & Lymphoma Society of Canada and is an active member of the Turnaround Management Association (TMA), Association for Corporate Growth (ACG) and the Commercial Finance Association (CFA).

Harry Rosenfeld - Harry Rosenfeld is Executive Vice President of The Futura Corporation. He joined The Futura Corporation in 2004. From 1997 to 2004, Mr. Rosenfeld was employed by Congress Financial Corporation of Canada, where as Senior Vice President and Portfolio Manager he directed the Credit and Administration functions for one of the largest asset based lenders in Canada. A former Vice President with Bank of New York Financial Corporation, Mr. Rosenfeld has over 20 years of financing, mergers and acquisition and banking experience. Mr. Rosenfeld is a former Treasurer and Director of the CFA (Commercial Finance Association) and has been a guest speaker at various financing and industry seminars. Mr. Rosenfeld holds a B.A. from the University of Waterloo.

Michael Fitch – Michael Fitch is a retired senior partner of Fasken Martineau DuMoulin, LLP, one of Canada's larger national law firms, where he was a nationally recognized practitioner in the insolvency and corporate restructuring area. Mr. Fitch also acted as the managing partner of his law firm from 1993 to 2000. He has over thirty years experience in providing restructuring advice to businesses and their boards of directors in various industries facing financial distress and in advising lending institutions and accounting firms in the insolvency context. Currently he is a corporate director for both public and private corporations. Mr. Fitch is a charter member and fellow of the Insolvency Institute of Canada, an international fellow of the American College of Bankruptcy, and an emeritus member of the International Institute of Insolvency. He was continuously listed as one of the leading 500 lawyers in Canada by Lexpert since its first publication in 2000 until his retirement. He was appointed Queen's Counsel in 1998.

Audit Committee Mandate

The Audit Committee is responsible for assisting the board of trustees and board of directors of Tree Island in their oversight responsibilities by:

- Reviewing the financial information provided to the Unitholders and others;
- Identifying and monitoring the management of the principal risks that could impact the financial reports of the Fund;
- Reviewing the systems of corporate controls that management and the Board have established;
- Monitoring auditor independence and the audit process; and

Pre-Approval Policies and Procedures

The Audit Committee has established a policy of pre-approving all non-audit services to be provided by the Fund's external auditors and does so in accordance with the requirements of the Audit Committee Terms of Reference. The Audit Committee has delegated authority to the chair of the Audit Committee to pre-approve non-audit services. Any such pre-approval is presented to the full Audit Committee at its first scheduled meeting following such pre-approval. The Audit Committee shall not engage the external auditors to perform those specific non-audit services proscribed by law or regulation. The Audit Committee meets at least four times per year.

Audit Committee Terms of Reference

The Terms of Reference of the Audit Committee are attached as Schedule A to this Annual Information Form.

Exemptions

Other than as discussed below, during the financial year ended December 31, 2010, the Fund did not rely on the exemptions set out in sections 2.4, 3.2, 3.4, 3.5, Part 8, subsection 3.3(2) or section 3.6 of MI 52-110, nor did the Fund rely on section 3.8 of NI 52-110. Mr. Rosenfeld is an executive officer of Futura, which is an affiliated entity within the meaning of NI 52-110 and is therefore not independent. The Fund has relied on the exemption in section 3.2 of NI 52-110 in this regard.

Audit Committee Oversight

During the financial year ended December 31, 2010 there was no recommendation of the Audit Committee to nominate or compensate the external auditor of the Fund that was not adopted by the trustees of the Fund or the directors of the Company.

External Auditor Service Fees (by category)

As at December 31, 2010, the independent auditors of the Fund and the Company were Ernst & Young LLP. The report of the auditors on the financial statements for the fiscal year ended December 31, 2010 has been filed on www.sedar.com with the securities regulators. The following table sets forth, by category, the fees billed by the auditors, for the periods ended December 31, 2010 and December 31, 2009:

	Audit Fees(1)	Audited-Related Fees (2)	Tax Fees (3)	All Other Fees
2010	$376,308	$835	$265,784	$0
2009	$396,000	$113,000	$111,400	$0

(1) "Audit Fees" represent the fees for the audit of the Fund's consolidated financial statements for the years ended December 31, 2010 and 2009 and for the review of the Company's interim consolidated financial statements in 2009 and for the first quarter of 2010.
(2) "Audit Related Fees" represent the fees for services normally provided by the auditors in connection with theand reviews of the prospectus in 2009 and in 2010 relates to subscription fees for access to technical databases..
(3) "Tax Fees" represent the fees for tax services consisting of tax compliance and tax planning and advice.

DESCRIPTION OF THE FUND

The Fund is an unincorporated open ended, limited purpose trust created under the laws of British Columbia pursuant to a declaration of trust (the "Declaration of Trust") dated September 30, 2002, as amended and restated.

Units of the Fund

The Fund is authorized to issue an unlimited number of Units pursuant to the Declaration of Trust. Each Unit is transferable and represents an equal undivided beneficial interest in any distributions from the Fund, whether of net income, net realized capital gains or other amounts, and in any Fund Assets (net of liabilities of the Fund) or any other net assets of the Fund in the event of termination or winding-up of the Fund and entitles the holder thereof to one vote at all meetings of Unitholders for each Unit held. Except as set out under "Redemption Right" below, the Units have no conversion, retraction, redemption or pre-emptive rights.

The Units are not "deposits" within the meaning of the Canada Deposit Insurance Corporation Act and are not insured under the provisions of that Act or any other legislation. Furthermore, the Fund is not a trust company and, accordingly, is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company.

Although the Declaration of Trust confers upon a Unitholder many of the same protections, rights and remedies that an investor would have as a shareholder of a corporation governed by the Canada Business Corporations Act (the "CBCA"), significant differences do exist.

The Declaration of Trust includes provisions intended to limit the liability of a Unitholder for liabilities and other obligations of the Fund. The Income Trust Liability Act (British Columbia) provides that unitholders of British Columbia income funds such as the Fund will not, as beneficiaries, be liable for any act, default, obligation or liability of the trustees.

Many of the provisions of the CBCA respecting the governance and management of a corporation have been incorporated in the Declaration of Trust. For example, Unitholders are entitled to exercise voting rights in respect of their holdings of Units in a manner comparable to shareholders of a CBCA corporation and to elect trustees and auditors. The Declaration of Trust also includes provisions modeled after comparable provisions of the CBCA dealing with the calling and holding of meetings of Unitholders and trustees, the quorum for and procedures at such meetings and the right of Unitholders to participate in the decision-making process where certain fundamental actions are proposed to be undertaken. The matters in respect of which Unitholder approval is required under the Declaration of Trust are generally less extensive than the rights conferred on the shareholders of a CBCA corporation but effectively extend to certain fundamental actions that may be undertaken by the Fund's subsidiary entities, as described below. These Unitholder approval rights are supplemented by provisions of applicable securities laws that are generally applicable to issuers (whether corporations, trusts or other entities) that are "reporting issuers" or the equivalent or listed on the Toronto Stock Exchange.

Unitholders do not have recourse to a dissent right under which shareholders of a CBCA corporation are entitled to receive the fair value of their shares where certain fundamental changes affecting the corporation are undertaken (such as an amalgamation, a continuance under the laws of another jurisdiction, the sale of all or substantially all of its property, a going private transaction or the addition, change or removal of provisions restricting (i) the business or businesses that the corporation can carry on, or (ii) the issue, transfer or ownership of shares). As an alternative, Unitholders seeking to terminate their investment in the Fund are entitled to receive, subject to certain conditions and limitations, their pro rata share of the Fund's net assets through the exercise of the redemption rights provided by the Declaration of Trust, as described below. Unitholders similarly do not have recourse to the statutory oppression remedy that is available to shareholders of a CBCA corporation where the corporation undertakes actions that are oppressive, unfairly prejudicial or disregard the interests of security holders and certain other parties. Shareholders of a CBCA corporation may also apply to a court to order the liquidation and dissolution of the corporation in those circumstances, whereas Unitholders may rely only on the general provisions of the Declaration of Trust, which permit the winding-up of the Fund with the approval of a special resolution of the Unitholders. Shareholders of a CBCA corporation may also apply to a court for the appointment of an inspector to investigate the manner in which the business of the corporation and its affiliates is being carried on where there is reason to believe that fraudulent, dishonest or oppressive conduct has occurred. The Declaration of Trust allows Unitholders to pass resolutions approving an inspector to investigate the trustees' performance of their responsibilities and duties, but this process would not be subject to court oversight to assure the other investigative procedures, rights and remedies available under the CBCA. The CBCA also permits shareholders to bring or intervene in derivative actions in the name of the corporation or any of its subsidiaries, with the leave of a court. The Declaration of Trust does not include a comparable right of the Unitholders to commence or participate in legal proceedings with respect to the Fund.

The Declaration of Trust contains conflict of interest provisions, similar to those contained in the CBCA, that require each Trustee or officer of the Fund, as applicable, to disclose to the Fund any interest in a material contract or transaction or proposed material contract or transaction with the Fund, or the fact that such person is a director or officer, or otherwise has a material interest in, any person who is a party to a material contract or transaction or proposed material contract or transaction with the Fund. In any case, a Trustee or officer of the Fund who has made disclosure to the foregoing effect is not entitled to vote on any resolution to approve the contract or transaction unless the contract or transaction is one relating primarily to (i) his remuneration as a Trustee or officer of the Fund, as applicable, (ii) insurance or indemnity, or (iii) a contract or transaction with the Company.

Meetings of Unitholders

Meetings of Unitholders are called and held annually on a day on or before June 30 in each year for the presentation of audited financial statements, the appointment of trustees and the appointment of auditors of the Fund. The Declaration of Trust provides that the Unitholders shall be entitled to pass resolutions that will bind the Fund only with respect to the election, appointment or removal of trustees or the auditors of the Fund, the appointment of an inspector, specified amendments to the Declaration of Trust, the termination of the Fund, the sale of all or substantially all of the assets of the Fund, the dissolution of the Fund prior to the end of its term, any matter required by securities or stock exchange laws, rules, regulations, or policies or other laws or regulations to be submitted to Unitholders for their approval, (the "Regulatory Requirements"), the sale of all or substantially all of the assets of the Company or any amalgamation, arrangement or merger involving the Company (except in conjunction with an internal reorganization or pledge), any material amendment to the Note Indenture (except in contemplation of a future issuance of Notes), or any material amendment to the constating documents of the Company to change the authorized share capital of the Company or otherwise amend such documents in a manner that may be prejudicial to the Fund. A resolution appointing or removing the trustees or the auditors of the Fund or which must be submitted to Unitholders for their approval in accordance with Regulatory Requirements must be passed by a simple majority of the votes cast by Unitholders voting upon such resolution unless a greater threshold is prescribed by any applicable Regulatory Requirements. The balance of the foregoing matters must be passed by a vote of more than two-thirds of the votes cast by Unitholders voting upon such resolution at a meeting of the Unitholders called for such purpose.

A special meeting of Unitholders may be convened at any time and for any purpose by the trustees and must be convened by the trustees, except in certain circumstances, if requisitioned in writing by Unitholders holding in the aggregate not less than 10% of the Units then outstanding, taken as a whole. A requisition must state in reasonable detail the business proposed to be transacted at the meeting.

The Declaration of Trust contains provisions as to the notice required and other procedures with respect to the calling and holding of meetings of Unitholders.

Take-Over Bids

The Declaration of Trust contains provisions to the effect that if a take-over bid is made for Units and not less than 90% of the Units on a fully-diluted basis (other than Units held at the date of the take-over bid by or on behalf of, or issuable to, the offeror or associates or affiliates of the offeror) are taken up and paid for by the offeror, the offeror will be entitled to acquire the Units held by Unitholders who did not accept the offer on the terms offered by the offeror in accordance with the procedures set out in the Declaration of Trust.

Issuance of Units

Units are issued upon conversion from Debentures or warrants at their stated exercise price. As well, the Fund may issue new Units from time to time for cash through public offerings, through rights offerings to existing Unitholders (i.e. in which Unitholders receive rights to subscribe for new Units in proportion to their existing holdings of the Units, which rights may be exercised or sold to other investors) or through private placements (i.e. offerings to specific investors which are not made generally available to the public or existing Unitholders). In certain instances, the Fund may issue new Units as consideration for the acquisition of assets. The price or the value of the consideration for which Units may be issued will be determined by the trustees, generally in consultation with investment dealers or brokers who may act as underwriters or agents in connection with offerings of Units. Issuance of Units is subject to receipt by the Fund of all necessary regulatory approvals. No new Units issued will provide the holder thereof with enhanced voting or other enhanced rights.

Redemption Right

Units are redeemable at any time on demand by the holders thereof. Upon receipt of a written redemption notice by the Fund, all rights to and under the Units tendered for redemption shall be surrendered and the holder thereof shall be entitled to receive a price per Unit (the "Redemption Price") equal to the lesser of:

(a) 90% of the "market price" of the Units on the principal market on which the Units are quoted for trading during the ten trading day period commencing immediately subsequent to the date on which the Units were surrendered to the Fund for redemption (the "Redemption Date"); and

(b) 100% of the "closing market price" on the principal market on which the Units are quoted for trading on the Redemption Date.

For the purposes of this calculation, "market price" will be an amount equal to the weighted average of the closing price of the Units for each of the trading days on which there was a closing price; provided that if the applicable exchange or market does not provide a closing price, but only provides the highest and lowest prices of the Units traded on a particular day, the "market price" shall be an amount equal to the weighted average of the highest and lowest prices for each of the trading days on which there was a trade; and provided further that if there was trading on the applicable exchange or market for fewer than five of the ten trading days, the "market price" shall be the weighted average of the following prices established for each of the ten trading days: the weighted average of the last bid and last asking prices of the Units for each day there was no trading; the closing price of the Units for each day that there was trading if the exchange or market provides a closing price; and the weighted average of the highest and lowest prices of the Units for each day that there was trading if the market provides only the highest and lowest prices of Units traded on a particular day. The "closing market price" shall be an amount equal to the closing price of the Units if there was a trade on the date and the exchange or market provides a closing price; an amount equal to the weighted average of the highest and lowest prices of the Units if there was trading and the exchange or other market provides only the highest and lowest prices of Units traded on a particular day; and the weighted average of the last bid and last asking prices of the Units if there was no trading on that date.

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

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

(b) at the time such Units are tendered for redemption, the outstanding Units shall be listed for trading on a stock exchange or traded or quoted on another market which the trustees consider, in their sole discretion, provides representative fair market value prices for the Units; and

(c) the normal trading of outstanding Units is not suspended or halted on any stock exchange on which the Units are listed (or, if not listed on a stock exchange, on any market on which the Units are quoted for trading) on the Redemption Date or for more than five trading days during the ten-day trading period commencing immediately after the Redemption Date.

If a Unitholder is not entitled to receive cash upon the redemption of Units as a result of the foregoing limitations, then each Unit tendered for redemption shall, subject to any applicable regulatory approvals, be paid and satisfied by way of a distribution of a pro rata number of securities of the Company held by the Fund. No fractional common shares or notes of the Company having a value that is not an integral multiple of $100 will be distributed and, where the number of securities of the Company to be received by a Unitholder includes a fraction or an amount that is not an integral multiple of $100, such number shall be rounded to the next lowest whole number or multiple of $100. The Fund shall be entitled to all interest paid on the Notes and the distributions paid on the common shares to and including the date of the distribution. Where the Fund makes a distribution of a pro rata number of securities on the redemption of Units of a Unitholder, the Fund may, in its sole discretion, and currently intends to, designate portions of the amount of the fair market value of such securities (i) not exceeding the amount of any capital gain of the Fund as a result of the distribution of such property as an amount payable out of the net realized capital gains of the Fund; and (ii) not exceeding the amount of accrued interest on Notes distributed on such redemption as an amount payable out of the income of the Fund.

Limitation on Non-Resident Ownership

At no time may non-residents of Canada (within the meaning of the Tax Act) be the beneficial owners of more than 49% of the Units. At the request of the Fund, the Transfer Agent may require declarations as to the jurisdictions in which beneficial owners of Units are resident. If the Transfer Agent becomes aware, as a result of requiring such declarations as to beneficial ownership or otherwise, that the beneficial owners of 49% of the Units then outstanding are, or may be, non-residents or that such a situation is imminent, the Transfer Agent may make a public announcement thereof and shall not accept a subscription for Units from or issue or register a transfer of Units to a person unless the person provides a declaration that the person is not a non-resident.

If, notwithstanding the foregoing, the trustees determine that more than 49% of the Units are held by non-residents, the trustees may send a notice to non-resident Unitholders, chosen in inverse order to the order of acquisition or registration or in such manner as the Transfer Agent may consider equitable and practicable, requiring them to sell their Units or a portion thereof within a specified period of not more than 60 days. If the Unitholders receiving such notice have not sold the specified number of Units or provided the trustees with satisfactory evidence that they are not non-residents within such period, the trustees may, on behalf of such Unitholders sell such Units and, in the interim, shall suspend the voting and distribution rights attached to such Units. Upon such sale, the affected holders shall cease to be Unitholders and their rights shall be limited to receiving the net proceeds of sale upon surrender of the certificates representing such Units. The Fund may direct the Transfer Agent to do any of the foregoing. No liability shall accrue to the Fund or the trustees if the Units of a non-resident Unitholder are sold at a loss to such Unitholder.

Debentures

The following is a description of the material attributes of the Debentures and the Private Placement Debentures. The terms and conditions of the Debentures and the Private Placement Debentures are identical. In the summary below, unless otherwise noted, references to Debentures also include the Private Placement Debentures. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the terms of the Trust Indenture (as defined below). The Trust Indenture is available for inspection at the offices of the Debenture Trustee (as defined below) and is available electronically at www.sedar.com.

General

An unlimited aggregate principal amount of Debentures are authorized for issuance under the Trust Indenture. The Fund may from time to time, without the consent of the holders of Debentures, but subject to the limitations described herein, issue additional debentures having the same terms as the Debentures. The Debentures are dated January 27, 2010 and were issued in registrable form in multiples of $100 or, in the case of the Interest Debentures**,** multiples of $1.00. The Private Placement Debentures are dated November 26, 2009. The Debentures will bear interest at a rate of 10% per annum.

The Debentures are direct obligations of the Fund and are secured by a second priority lien on all of the present and after-acquired personal property of the Fund and its material subsidiaries. The Debentures are fully and unconditionally guaranteed by each of the Company, Tree Island Wire (USA) Holdings, Inc. and Tree Island Wire (collectively, the "Guarantors"). In the event of any insolvency or bankruptcy proceedings, or any receivership, liquidation, reorganization or other similar proceedings including the Fund and certain of its affiliates as set out in the Intercreditor Agreement, holders of senior indebtedness will receive payment in full before the holders of Debentures and Private Placement Debentures are entitled to receive any payment or distribution of any kind or character.

The maturity date of the Debentures is November 26, 2014 (the “Maturity Date”).

Interest

The Debentures bear interest from, subject to certain restrictions described below, the date of issue at an annual rate of 10% per annum. Interest accrued to March 31, June 30, September 30 and December 31 (each an "Interest Calculation Date") will be paid on the 30th day of the month next following Interest Calculation Date to the registered holders of the Debentures on such Interest Calculation Date. The first interest payment on the Debentures was made on April 30, 2010 in respect of the period from and including January 1, 2010 to and including March 31, 2010. The first interest payment for the Private Placement Debentures was made on January 30, 2010, for the period ending December 31, 2009.

Under the terms of a subordination and intercreditor agreement dated November 26, 2009 (the "Intercreditor Agreement") among the Fund, certain of its affiliates, its senior lenders and the Debenture Trustee, the Fund is prohibited from making cash interest payments on the Debentures if: (i) an event of default exists under the debt documents related to its senior debt; (ii) the aggregate borrowing availability under the senior debt documents, after giving effect to a contemplated cash distribution, does not exceed $5.5 million on the date of such distribution or on an average daily basis for the 30 calendar day period immediately preceding such distribution; or (iii) the Fund has failed to deliver certain monthly compliance certificates under the senior debt documents.

The Intercreditor Agreement also provides that, if as a result of any accounting adjustments based on the annual audit of the Company, either agent of the Fund's senior lenders determines, in its reasonable judgment, that a prior cash interest payment made by the Fund in respect of the Debentures would have been prohibited under the terms of the Intercreditor Agreement had such adjusted figures been in effect on the date of such interest payment, then holders of Debentures who received such payment must, within five days of receipt by the Debenture Trustee of notice of such determination, return the full amount of the interest payment to the Debenture Trustee. In such event, the returned payment may be paid by the Fund to holders of Debentures on any subsequent regularly scheduled quarterly interest payment date, provided that it is not prohibited from making such payment under the Intercreditor Agreement.

If the Fund is prohibited under its credit facilities or the Intercreditor Agreement from paying interest on the Debentures in cash in respect of any interest payment period, the Fund may, subject to regulatory approval, elect to satisfy its obligation to pay interest on the Debentures by issuing and delivering Interest Debentures. Interest Debentures will have the same terms and conditions as the Debentures issued hereunder and will be issued at a principal amount that is rounded down to the nearest multiple of $1.00. Fractional Debentures will not be issued if the Fund elects to satisfy its obligation to pay interest on the Debentures by issuing and delivering Interest Debentures in lieu of cash, and holders of Debentures will not be entitled to receive a cash payment in respect of any fractional interest.

In addition, if the Fund is prohibited under its Senior Credit Facility or the Intercreditor Agreement from paying interest on the Debentures in cash in respect of any interest payment period, the Fund may elect to defer interest payments on the Debentures in respect of such period until the earlier of: (a) the first interest payment date on which the Fund may resume making cash interest payments under the terms of the Credit Agreement and the Intercreditor Agreement; and (b) the Maturity Date, provided that the Fund may not elect to defer interest in respect of more than eight quarters, whether or not consecutive. Deferred interest will accrue interest at a rate of 10% per annum until paid in full.

Additional Indebtedness

The Trust Indenture does not restrict the Fund from incurring additional indebtedness for borrowed money or otherwise or mortgaging, pledging or charging its properties to secure any indebtedness.

Subordination

The payment of the principal of, and interest on, the Debentures will: (a) rank *pari passu* in right of payment, without discrimination, preference or priority, with all other debentures issued pursuant to the Trust Indenture; and (b) be subordinate in right of payment to all Senior Indebtedness, as set forth in the Trust Indenture and the Intercreditor Agreement.

In the event of any insolvency or bankruptcy proceedings, or any receivership, liquidation, reorganization or other similar proceedings relative to the Fund, certain of its affiliates, its property or its assets, or in the event of any proceedings for voluntary liquidation, dissolution or other winding-up of the Fund, whether or not involving insolvency or bankruptcy, or any marshalling of the assets and liabilities of the Fund, holders of Senior Indebtedness will receive payment in full before the holders of Debentures and Private Placement Debentures are entitled to receive any payment or distribution of any kind or character, whether in cash, property or securities, which may be payable or deliverable in any such event in respect of any of the Debentures or Private Placement Debentures or any unpaid interest accrued thereon.

The Fund also entered into a proceeds sharing agreement dated November 25, 2009 (the "Proceeds Sharing Agreement") with significant trade creditors pursuant to which the first $6.0 million paid in respect of amounts owing by the Fund under the Debentures (including the Private Placement Debentures) following an event of default that results in an acceleration of such amounts owing will be divided among the holders of Debentures and such significant trade creditors.

Conversion Privilege

The principal amount outstanding under each Debenture is convertible into freely tradeable Units, at the option of the holder, at any time prior to 4:00 p.m. (Vancouver time) on the Maturity Date or, if the Debentures are called for redemption, 4:00 p.m. (Vancouver time) on the last business day immediately preceding the date specified by the Fund for the redemption of the Debentures. All accrued and unpaid interest on a Debenture that is converted into Units up to and including the date of conversion will be paid to the holder on the conversion date. The Conversion Price of the Debentures is $0.50 per Unit (being a rate of 200 Units per $100 principal amount of Debentures), subject to adjustment in certain events as provided in the Trust Indenture. No fractional Units will be issued on the conversion of Debentures, but the Fund will make an equivalent cash payment in lieu thereof.

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

(a) the issuance of securities (other than rights, options or warrants) to all or substantially all Unitholders by way of a Unit dividend or interest or distributions;

(b) the subdivision or consolidation of the outstanding Units;

(c) the issuance of options, rights or warrants to all or substantially all Unitholders entitling them to acquire Units or other securities convertible into Units at a price less than 95% of the then Current Market Price (as defined below) of the Units; and

(d) certain other distributions by the Fund to all or substantially all Unitholders of securities, rights, options or warrants, evidences of indebtedness or other assets (excluding cash dividends or cash distributions).

In the case of a capital reorganization of the Fund (other than as described in paragraphs (a) or (b) above), or in the case of a consolidation, merger, amalgamation, arrangement or similar transaction involving the Fund and any other entity, the terms of the conversion privilege will be adjusted so that each holder of a Debenture will, after such event, be entitled to receive the number of Units, other securities or consideration that such holder would be entitled to receive if on the effective date of such event such holder had been the holder of that number of Units into which the Debentures held by such holder were convertible immediately prior to the effective date of such event.

There will be no adjustment to the Conversion Price unless the cumulative effect of such adjustments would change the Conversion Price by at least 1%. Further, the Fund will not be required to make any adjustments to the Conversion Price following any of the events described above if the holders of the Debentures are allowed to participate as though they had converted their Debentures into Units immediately prior to the applicable record date or effective date. No adjustment to the Conversion Price will be made in respect of the issuance of Units pursuant to the Debentures or securities convertible into or forming part of the Units outstanding as of the issue date of the Debentures.

The term "Current Market Price" in the Trust Indenture means the weighted average trading price per Unit on the TSX for the 20 consecutive trading days ending on the fifth trading day preceding the date in respect of which the Current Market Price of the Units is required to be calculated and, if no such price is available will be the fair market value as determined by the Fund's auditor.

Redemption

The Debentures are not redeemable on or before November 26, 2012. After such date and on or prior to the Maturity Date, the Debentures may be redeemed in cash, in whole or in part, from time to time at the option of the Fund on at least 30 days prior written notice, at a price equal to the principal amount plus all accrued and unpaid interest, provided that: (a) the weighted average trading price for the Units on the TSX for the 30 consecutive trading days ending on a date that is no more than 10 business days prior to the date on which notice of redemption is given is at least 150% of the Conversion Price; and (b) no event of default under the Trust Indenture has occurred and is continuing. If the Fund elects to redeem only a portion of the outstanding Debentures, the Debentures to be redeemed will be selected by the Debenture Trustee on a *pro rata* basis or in such other manner as the Debenture Trustee deems equitable.

Payment upon Redemption or Maturity

On redemption or maturity, the Fund is required to repay the indebtedness represented by the Debentures by paying to the Debenture Trustee in lawful money of Canada an amount equal to the aggregate redemption price of the outstanding Debentures which are to be redeemed or the principal amount of the Debentures which have matured, in each case together with the accrued and unpaid interest and deferred interest thereon.

Purchase for Cancellation

Subject to applicable securities laws, the Fund and/or its affiliates may purchase Debentures for cancellation at any time.

Events of Default

The Trust Indenture provides that it will constitute an event of default (an "Event of Default") if certain events have occurred and are continuing, including the following:

(a) the Fund fails to pay the Offer Price (as defined below) when the same becomes due and payable, or if the Fund fails to make an Offer (as defined below) within 30 days following the effective date of a Change of Control (as defined below);

(b) the Fund fails to pay principal, interest, whether in cash or in kind, or other amounts payable under the Debentures other then the Offer Price, which failure remains unremedied for 10 days;

(c) the Fund defaults in the performance of any covenant or obligation under the Trust Indenture, any security agreements, deeds of trust, mortgages or any other documents executed by the Fund or any of its affiliates creating a lien that secures the Debentures or any of the guarantees of the Fund's payment obligations under the Trust Indenture (the "Collateral Documents"), which default remains unremedied for a period of 30 days;

(d) as a consequence of an event of default any senior indebtedness of the Fund under its Credit Agreements or any other indebtedness of the Fund or any of its material subsidiaries in excess of $3,000,000 becomes or is declared due and payable prior to the date on which it was otherwise scheduled to become due and payable, and such acceleration is not rescinded within a period of 10 days;

(e) any guarantee under the Trust Indenture or Debenture is held to be unenforceable or invalid at an unappealable judicial proceeding;

(f) if the Fund or any of the Guarantors denies or disaffirms its obligations under the Collateral Documents or asserts that the Collateral Documents are not in full force and effect;

(g) any one of the Collateral Documents is or becomes unenforceable against the Fund or the Guarantors; and

(h) certain events of bankruptcy, insolvency or reorganization of the Fund under bankruptcy or insolvency laws.

Subject to limitations contained in the Intercreditor Agreement, if an Event of Default has occurred and is continuing, the Debenture Trustee may, in its discretion, and shall, upon the written request of holders of not less than 25% of the principal amount of outstanding Debentures, declare the principal of and interest on all outstanding Debentures to be immediately due and payable. Under the Proceeds Sharing Agreement, the Debenture Trustee is required, under certain circumstances, to divide a portion of the payment received upon such Event of Default between the holders of Debentures and the Fund's key trade creditors. In certain cases, the holders of a majority of the principal amount of outstanding Debentures may, on behalf of all holders of Debentures, waive any Event of Default and/or cancel any such declaration upon such terms and conditions as such holders shall prescribe.

Change of Control

Upon the occurrence of a change of control of the Fund involving the acquisition of beneficial ownership, voting control or direction over more than 50% of the aggregate voting rights attached to the then outstanding Units or of assets representing more than 50% of the consolidated book value of the Fund's assets, or a merger, amalgamation, arrangement or similar transaction in which the holders of the Units immediately prior to the occurrence of such event hold less than 50% of the voting rights in the resulting entity (a "Change of Control"), the Fund will be required to make an offer in writing (the "Offer") to purchase all of the Debentures then outstanding at a price equal to 110% of the principal amount thereof plus all accrued and unpaid interest, if any, to such date (the "Offer Price").

The Trust Indenture contains notification and repurchase provisions requiring the Fund to give written notice to the Debenture Trustee of the occurrence of a Change of Control, together with the Offer, within 30 days of such event. The Debenture Trustee will thereafter mail to each holder of Debentures a notice of Change of Control, together with a copy of the Offer to repurchase all of the outstanding Debentures.

If 90% or more in aggregate principal amount of the Debentures outstanding on the date on which the Fund notifies the Debenture Trustee of the Change of Control have been tendered to the Fund pursuant to the Offer, the Fund will have the right and obligation to redeem all of the remaining Debentures at the Offer Price. Notice of such redemption must be given by the Fund to the Debenture Trustee within ten days following the expiry of the Offer, and by the Debenture Trustee to the holders who have not tendered their Debentures to the Offer as soon as practicable thereafter.

Offers for Debentures

The Trust Indenture contains provisions to the effect that if an offer is made for the Debentures which is a take-over bid for the Debentures within the meaning of applicable securities laws and not less than 90% of the Debentures (other than Debentures held at the date of the take-over bid by or on behalf of the offeror or associates or affiliates of the offeror) are taken up and paid for by the offeror, the offeror will be entitled to acquire the remaining Debentures on the terms offered by the offeror.

Canadian Withholding Taxes

If the Fund is required to withhold or deduct any amount for or on account of any tax or other government charge imposed or levied by the Government of Canada or any Canadian Province or Territory (or by any authority or agency therein or thereof) having power to tax for any payment made under or in respect of the Debentures, including on conversion of the Debentures, the Fund will make such withholding or deduction and remit the full amount deducted or withheld to the relevant authority as and when required in accordance with applicable law.

Modifications

The rights of the holders of the Debentures and any other debentures that may be issued under the Trust Indenture may be modified in accordance with the terms of the Trust Indenture. For that purpose, among others, the Trust Indenture contains certain provisions which makes binding on all holders of Debentures resolutions passed at meetings of the holders of Debentures by votes cast thereat by holders of not less than 66⅔% of the principal amount of the Debentures present at the meeting or represented by proxy, or rendered by instruments in writing signed by the holders of not less than 66⅔% of the principal amount of the Debentures. Notwithstanding the foregoing, without the prior written consent of each holder of Debentures, the Trust Indenture and the Debentures may not be amended or supplemented to: (a) alter the manner of calculation or rate of accrual of interest on the Debentures or change the time of payment; (b) make the Debentures payable in money or securities other than that stated in the Debenture; (c) change the Maturity Date; (d) reduce the principal amount or Offer Price in respect of a Change of Control with respect to the Debenture; (e) change the Fund's obligation to make an Offer in connection with a Change of Control; (f) change the currency of payment of principal of, or interest on, the Debentures; or (g) change the provisions in the Trust Indenture that relate to modifying or amending the Trust Indenture.

Negative Covenants

The Trust Indenture contains certain negative covenants of the Fund which apply so long as any obligations remain outstanding under the Debentures or the Trust Indenture. Without the consent of: (i) the holders of at least 50% of the outstanding principal amount of the Debentures; or (ii) the Debenture Trustee, on behalf of the holders of the Debentures (provided that the Debenture Trustee is satisfied that the rights of the holders of the Debentures are not prejudiced in any material respect), the Fund will not do or permit any of its material subsidiaries to do any of the following:

(a) lend any money to or guarantee the obligations of any person (other than the Fund or a subsidiary as applicable), or otherwise become liable for any debts, liabilities or obligations of any other person (other than the Fund or a subsidiary as applicable) or otherwise provide financial assistance to any person (other than the Fund or a subsidiary as applicable), except in the ordinary course of business, which includes extending customer credit in the ordinary course from time to time, or as otherwise contemplated in the Debentures or in the Collateral Documents;

(b) incur any debt which is senior to the Debentures in priority of payment or security which is not senior indebtedness of the Fund under its Credit Agreements unless the incurrence of such debt is permitted by the terms of any of the Credit Agreements;

(c) create, assume, incur or permit to exist any mortgage, lien, pledge, charge, security interest, assignment for security or other security agreement or encumbrance on any of its property, assets or undertaking whether now owned or hereafter acquired senior or pari passu with in priority to the Debentures, other than certain permitted liens and any liens or encumbrances permitted by the terms of any of the Credit Agreements;

(d) continue its existence from its current jurisdiction to another jurisdiction unless it has given the Debenture Trustee 30 days prior written notice and prior to such continuation created or granted such additional security documents as are reasonably required by the Debenture Trustee arising from the continuation and registered, to the extent required by the Debenture Trustee, any Collateral Documents then held by the Debenture Trustee in the other jurisdiction;

(e) enter into any asset sale agreement(s) or arrangement(s) pursuant to which it would, either in a single transaction or a series of related transactions, sell, lease, transfer or otherwise dispose of assets having a value in excess of $1,500,000 or that constitute all or substantially all of the assets of the Fund on a consolidated basis unless such sale, lease, transfer or other disposition is to the Fund or a material subsidiary or in respect of a or a transaction involving the conversion of the Fund into a corporate form, or such sale, lease, transfer or other disposition is of: (i) inventory sold in the ordinary course of business; (ii) assets or property that are obsolete or surplus; (iii) property that is sold or otherwise disposed of and replaced with property of reasonably equal or greater value within 180 days from the proceeds of sale, lease, transfer or other disposition; or (iv) assets or property the sale, lease or other disposition of which is permitted under the terms of any of the Credit Agreements;

(f) except for investments in short-term instruments issued by the Government of Canada or any Province thereof or by the United States of America or any State thereof or issued by a Canadian or United States chartered bank or insurance company rated A or better by Standard & Poor's Rating Services, a division of The McGraw Hill Companies, Inc. and except for any acquisition or investment financed entirely by the issue of Units, acquire or invest (i) in any property that is not a Permitted Investment (as defined below), (ii) in any person (other than the Fund or a subsidiary) that does not carry on a similar or related business to the Fund and its consolidated subsidiaries, or (iii) in any property or asset unless the acquisition or investment in that asset or property is permitted by the terms of the Credit Agreements;

(g) enter into any transaction or series of transactions, whether by way of reconstruction, reorganization, recapitalization, consolidation, amalgamation, merger, transfer, sale or otherwise, whereby all or substantially all of its undertaking, property and assets would become the property of any other corporation or continuing corporation or other person other than a material subsidiary (other than any such transaction or series of transactions that constitute a change of control or a transaction involving the conversion of the Fund into a corporate form);

(h) effect any material change in the nature of its business, which shall not apply to any business arising from, developing out of or related to the business carried on as at the date of the Trust Indenture; or

(i) do or permit anything to adversely affect the validity of the security granted under the Collateral Documents except for actions permitted under the terms of the Trust Indenture or the Collateral Documents.

Permitted Investments under the Trust Indenture include: (i) any investment made as a result of the receipt of non-cash consideration from an asset sale that was permitted pursuant to the terms of the Trust Indenture; (ii) any investment received in compromise or resolution of (A) obligations of trade creditors or customers that were incurred in the ordinary course of business; or (B) litigation, arbitration or other disputes; or (iii) repurchases of

Debentures; and (iv) extensions of trade credit or advances to customers on commercially reasonable terms in the ordinary course of business.

Other Covenants

Pursuant to the Trust Indenture, the Fund has made various covenants, which include, among other things: (i) to pay the principal of, premium (if any) and interest accrued on the Debentures as set out in the Trust Indenture and the Debentures; (ii) to pay the Debenture Trustee reasonable remuneration for its services and certain expenses incurred in relation to the Trust Indenture; (iii) to notify the Debenture Trustee immediately upon obtaining knowledge of any default or event of default under the Trust Indenture; (iv) to conduct its business and cause its material subsidiaries to carry on and conduct their businesses in a proper, efficient and business-like manner and in accordance with good business practices and, subject to the terms of the Trust Indenture, to do or cause to be done all things necessary to preserve and keep in full force and effect the Fund's and its material subsidiaries' existences and rights (v) to keep proper books of record and account in accordance with generally accepted accounting principles; (vi) to not declare or make any distribution to the holders of Units after the occurrence of an event of default under the Trust Indenture unless and until such default has been cured or waived or ceased to exist; (vii) to perform all covenants and agreements contained in the Trust Indenture; (viii) to provide the Debenture Trustee and holders of Debentures with continuous disclosure documents that are sent to holders of Units under applicable securities law as set out in the Trust Indenture; (ix) if no longer a reporting issuer under applicable securities laws, to continue to provide the Debenture Trustee, the Debenture holders and, upon request, beneficial holders of Debentures, annual and interim financial statements and related management's discussions and analyses; (x) to comply, along with its subsidiaries, in all material respects with the requirements of all applicable laws and its obligations under all insurance policies and other contracts to which it is a party; (xi) to conduct its affairs so as to continue to qualify as a mutual fund trust under the Tax Act until such time as it completes a conversion to a corporate form; (xii) to use commercially reasonable efforts to ensure that the Units are listed and posted for trading on the TSX, or, if no longer listed on the TSX, another stock exchange or market in Canada and to use commercially reasonable efforts to maintain such listing and the Fund's status as a reporting issuer under applicable securities laws; and (xiii) to have any subsidiary, that is not a Guarantor, execute a guarantee if the Fund or any of the Guarantors transfer or cause the transfer of assets, businesses, divisions, real property or equipment to any such subsidiary or organize, acquire or otherwise invest in such subsidiary such that the subsidiary becomes a material subsidiary under the Trust Indenture.

Warrants

The following is a description of the material attributes of the Warrants. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the terms of the Warrant certificates.

Each Warrant entitles the holder to purchase, for a period of five years from the closing of the Private Placement, one Unit at a price (the "Exercise Price") equal to $0.5687. The Exercise Price is subject to adjustment in certain circumstances, including if the Fund subsequently issues Units in certain non-public offerings at a price that is less than 90% of the then current market price of the Units. The Warrants expire at 5:00 p.m., Pacific time, on November 26, 2014.

Administration Agreement

Under an Administration Agreement between the Fund and the Company, the Company provides certain administrative and support services to the Fund, including without limitation, those necessary to: (i) ensure compliance by the Fund with all applicable securities legislation, including continuous disclosure obligations; (ii) provide investor relations services; (iii) provide or cause to be provided to Unitholders all information to which Unitholders are entitled under the Declaration of Trust, including relevant information with respect to financial reports and income taxes; (iv) call and hold all meetings of Unitholders and distribute required materials, including notices of meetings and information circulars, in respect of all such meetings; (v) compute, determine and make distributions to Unitholders of distributions properly payable by the Fund; (vi) attend to all administrative and other matters arising in connection with any redemptions of Units; (vii) ensure compliance with the Fund's limitations on non-resident ownership and ownership of foreign property; and (viii) generally provide all other services as may be necessary or as requested by the trustees of the Fund for the administration of the Fund. All reasonable out-of-pocket expenses incurred by the Company in connection with the provision of these services will be for the account of the Fund.

Exercise of Certain Voting Rights Attached to Securities of the Company

The Declaration of Trust provides that the trustees shall not vote the Common Shares and Notes held by the Fund to authorize, among other things:

(a) any sale, lease or other disposition of, or any interest in, all or substantially all of the assets of the Company except in conjunction with an internal reorganization or pledge;

(b) any amalgamation, arrangement or other merger of the Company with any other corporation, except in conjunction with an internal reorganization;

(c) any material amendment to the Note Indenture, other than in contemplation of an issuance of further notes; or

(d) any material amendment to the memorandum or articles of the Company to change the authorized share capital of the Company or otherwise amend its constating documents in a manner which may be prejudicial to the Fund, without the authorization of the Unitholders by a Special Resolution.

Information and Reports

The Fund furnishes to Unitholders such financial statements (including quarterly and annual financial statements) and other reports as are from time to time required under the Declaration of Trust or by applicable law, including prescribed forms needed for the completion of Unitholders' tax returns under the Tax Act and equivalent provincial legislation.

The Company has undertaken to provide the Fund with:

- a report of any material change that occurs in the affairs of the Company in form and content that it would file with the applicable securities regulatory authorities if it were a reporting issuer; and
- all financial statements that it would be required to file with the applicable securities regulatory authorities if it were a reporting issuer.

All such reports and statements are provided to the Fund in a timely manner so as to permit the Fund to comply with the continuous disclosure requirements relating to reports of material changes in its affairs and the delivery of financial statements as required under applicable securities laws.

Book-Entry Only System

Registration of interests in and transfers of the Units are made through a book-based system (the "Book-Entry Only System") administered by The Canadian Depository for Securities Limited ("CDS"). Units must be purchased, transferred and surrendered for redemption through a participant in the CDS depository service (a "CDS Participant"). All rights of Unitholders must be exercised through, and all payments or other property to which such Unitholder is entitled are made or delivered by, CDS or the CDS Participant through which the Unitholder holds such Units. Upon purchase of any Units, the Unitholders will receive only a customer confirmation from the registered dealer which is a CDS Participant and from or through which the Units are purchased. The ability of a beneficial owner of Units to pledge such Units or otherwise take action with respect to such Unitholder's interest in such Units (other than through a CDS Participant) may be limited due to the lack of a physical certificate representing the Unitholder's interest. The Fund has the option to terminate registration of the Units through the Book-Entry Only System, in which case certificates for the Units in fully registered form would be issued to beneficial owners of such Units or their nominees.

Amendments to Declaration of Trust

The Declaration of Trust may be amended or altered from time to time only by a Special Resolution of the Unitholders provided that no changes may be made to the rights attached to the Units without the approval of at least two-thirds of the votes cast by holders of the affected securities voting on such resolution, except where otherwise provided in the Declaration of Trust.

The trustees may, without the approval of the Unitholders, make certain amendments to the Declaration of Trust, including amendments:

(a) aimed at continuing compliance with applicable laws, regulations, requirements or policies of any governmental authority having jurisdiction over: (i) the trustees; or (ii) the Fund;

(b) which, in the opinion of the trustees, provide additional protection for the Unitholders;

(c) to remove any conflicts or inconsistencies between the disclosure herein and the Declaration of Trust or to make minor corrections which are, in the opinion of trustees, necessary or desirable and not prejudicial to the Unitholders;

(d) which, in the opinion of the trustees, are necessary or desirable as a result of changes in taxation laws; and,

(e) for any purpose (except one in respect of which a vote of Unitholders is specifically otherwise required) if the trustees are of the opinion that the amendment is not prejudicial to Unitholders, and is necessary or desirable.

Term of the Fund and Sale of Substantially All the Assets of the Fund

The Fund has been established for a term ending 21 years after the date of the death of the last surviving issue of Her Majesty, Queen Elizabeth II, alive on September 30, 2002. Pursuant to the Declaration of Trust, termination of the Fund or the sale or transfer of all or substantially all of the assets of the Fund as an entirety or substantially as an entirety (other than as part of an internal reorganization of the assets of the Fund as approved by the trustees) requires approval by a Special Resolution of the Unitholders. If such termination or sale does not so provide, it must be approved by at least two-thirds of the votes cast at a meeting of the Unitholders.

Distribution Policy

The following outlines the distribution policy of the Fund as contained in the Declaration of Trust. The distribution policy may be amended only with the approval of a majority of the votes cast at a meeting of Unitholders.

The amount of cash to be distributed monthly per Unit shall be equal to a pro rata share of all amounts received by the Fund in each month, including without limitation, interest payments and principal repayments on the Notes and dividends or distributions on or in respect of the Common Shares received by the Fund, less:

(a) costs and expenses of the Fund;

(b) amounts which have become payable in cash by the Fund relating to the redemption of Units; and

(c) any other interest expenses incurred by the Fund between distributions.

The Fund may make additional distributions in excess of the monthly distributions during the year as the trustees may determine. Distributions are to be paid by the Fund on each distribution date to Unitholders of record on the immediately preceding distribution record date.

If on any distribution record date the trustees determine that the Fund does not have available cash in an amount sufficient to pay the full distribution payable on such distribution record date in cash or if any cash distribution should be contrary to any subordination agreement entered into by the Fund, the distribution payable to Unitholders on such distribution record date may, at the option of the trustees, include a distribution of additional

Units or fractions of Units, if necessary, having an equal value to the cash shortfall. Such additional Units will be issued pursuant to applicable exemptions under securities laws, discretionary exemptions issued by applicable securities regulatory authorities, or a prospectus or similar filing, and shall be subject to receipt by the Fund of all necessary regulatory approvals.

The Fund derives interest income from its holdings of the Notes. The Notes will mature on November 12, 2032. Prior to September 5, 2008 the Notes bore interest at 13.75% per annum, calculated and paid monthly on the last business day of each month,

At the Fund's annual meeting of unitholders held on June 24, 2008, unitholders approved a special resolution authorizing the Trustees to cause the Fund, as sole holder of the Notes, to authorize an amendment of the Note Indenture to change the interest rate from a fixed rate of 13.75% per annum to a rate per annum determined by the Trustees from time to time. Effective September 5, 2008, in recognition of the challenges facing the Company's business, the interest rate was reset at 11.5% per annum plus the aggregate of the amount distributed to Unitholders in respect of the calendar year ending December 31, 2008 and an amount equal to the Fund's tax deductible, cash expenses for the calendar year ending December 31, 2008 less the aggregate of the interest accrued at the fixed interest rates on the Notes for the period from January 1, 2008 to December 31, 2008. In recognition of the continuing difficult market conditions facing the Company the interest rate was reduced to 5% per annum for the period from November 13, 2008 to January 15, 2009 and was further reduced to 0.1% per annum for the remainder of 2009. The rate reverted back to 13.75% per annum at January 1, 2010; however the trustees determined that, with the continuing challenges in the Company's business, it was in the best interests of the Fund, as the sole noteholder, to approve a reduction in the 2010 Base Interest Rate for an effective interest rate of 1.06342% per annum. The trustees determined that, with the continuing challenges in the Company's business, it was in the best interests of the Fund to approve the 2011 interest rate at 0.5% per annum.

The Fund's income is limited to the interest and repayment of principal received on the Notes and dividends (if any) received on the Common Shares.

The table below sets out the distributions of the Fund by quarter since the inception date of November 12, 2002 to December 31, 2008. No distributions have been paid since January 1, 2009.

Period	$ per unit
November 12, 2002 to December 31, 2002	0.174
January 1, 2003 to March 31, 2003	0.319
April 1, 2003 to June 30, 2003	0.319
July 1, 2003 to September 30, 2003	0.319
October 1, 2003 to December 31, 2003	0.319
January 1, 2004 to March 31, 2004	0.319
April 1, 2004 to June 30, 2004	0.319
July 1, 2004 to September 30, 2004	0.338
October 1, 2004 to December 31, 2004	0.375
January 1, 2005 to March 31, 2005	0.375
April 1, 2005 to June 30, 2005	0.375
July 1, 2005 to September 30, 2005	0.375
October 1, 2005 to December 31, 2005	0.375
January 1, 2006 to March 31, 2006	0.375
April 1, 2006 to June 30, 2006	0.375
July 1, 2006 to September 30, 2006	0.375
October 1, 2006 to December 31, 2006	0.375

Period	$ per unit
January 1, 2007 to March 31, 2007	0.333
April 1, 2007 to June 30, 2007	0.250
July 1, 2007 to September 30, 2007	0.250
October 1, 2007 to December 31, 2007	0.250
January 1, 2008 to March 31, 2008	0.250
April 1, 2008 to June 30, 2008	0.250
July 1, 2008 to September 30, 2008	0.250
October 1, 2008 to December 31, 2008	0.167
January 1, 2008 to March 31, 2009	0.000
April 1, 2008 to June 30, 2009	0.000
July 1, 2008 to September 30, 2009	0.000
October 1, 2008 to December 31, 2009	0.000
January 1, 20010 to March 31, 2010	0.000
April 1, 2010 to June 30, 2010	0.000
July 1, 2010 to September 30, 2010	0.000
October 1, 2010 to December 31, 2010	0.000

The Fund intends to distribute the interest and dividend income earned by the Fund, less expenses and amounts, if any, paid by the Fund in connection with the redemption of Units, there can be no assurance regarding the amounts of income to be generated by the Company and therefore funds available to the Fund. Accordingly, the Fund's ability to make cash distributions is dependent upon the ability of the Company to pay its interest obligations under the Notes and to declare dividends or other returns of capital in respect of the Common Shares of the Company, which ability, in turn, is dependent upon the operations and assets of the Company.

The significant decline in the market price of steel in the fourth quarter of 2008 resulted in a $20.4 million inventory writedown. This writedown together with weaker market demand and pricing resulting from the global economic down turn offset the positive operating results achieved through the first three quarters of 2008, and necessitated a reduction in distributions in November 2008 to $0.50 per unit followed by a suspension of cash distributions beginning in January 2009.

SHARE AND LOAN CAPITAL OF THE COMPANY

Share Capital

The Company is authorized to issue 200,000,000 Common Shares without par value, of which 100,000,000 are designated non-voting Common Shares and 100,000,000 are designated voting Common Shares.

Holders of Common Shares are entitled to receive dividends rateably as and when declared by the directors of the Company. The rights of the voting Common Shares and the non-voting Common Shares are identical in all respects, with the exception that the holders of non-voting Common Shares are not entitled to vote at meetings of holders of the Common Shares. Upon the voluntary or involuntary liquidation, dissolution or winding-up of the Company, the holders of Common Shares are entitled to share rateably in the remaining assets available for distribution, after payment of liabilities and subject to the prior rights of the preferred shares (if any) of the Company.

The Fund is the holder of all of the outstanding voting Common Shares and there are no non-voting Common Shares issued and outstanding. The Fund also holds all of the Notes of the Company.

Notes and Secondary Notes

The following is a summary of the material attributes and characteristics of the Notes and secondary notes issued pursuant to the Note Indenture between the Company and Computershare Trust Company of Canada, dated November 12, 2002 and is qualified entirely by the provisions of the Note Indenture – see "*Material Contracts*". All of the Notes are held by the Fund and there are no secondary notes outstanding. The secondary notes were exchanged for an equal principal amount of Notes in 2004. Principal repayments were made on a monthly basis until June 30, 2004 on the Notes and the secondary notes. The Notes will mature on November 12, 2032 subject to prepayment from time to time as considered advisable by the directors of the Company, with the consent of the Fund and holders of Notes by extraordinary resolution.

The holders of the Notes have the right to vote at meetings of noteholders. At such meetings, each noteholder present in person or by proxy has one vote on a vote conducted by show of hands. On a vote conducted by poll, each noteholder present in person or by proxy is entitled to one vote with respect to each $100 principal amount of Notes held by the noteholder. The holders of the Notes have certain powers exercisable by extraordinary resolution, including the power to approve any rights of the holders of the Notes and the power to waive and direct the Note Trustee to waive any default or event of default.

Prior to September 5, 2008 the Notes bore interest at 13.75% per annum, calculated and paid monthly on the last business day of each month. At the Fund's annual meeting of Unitholders held on June 24, 2008, Unitholders approved a special resolution authorizing the Trustees to cause the Fund, as sole holder of the Notes, to authorize an amendment of the Note Indenture to change the interest rate from a fixed rate of 13.75% per annum to a rate per annum determined by the Trustees from time to time. Effective September 5, 2008, in recognition of the challenges facing the Company's business, the interest rate was reset at 11.5% per annum plus the aggregate of the amount distributed to Unitholders in respect of the calendar year ending December 31, 2008 and an amount equal to the Fund's tax deductible, cash expenses for the calendar year ending December 31, 2008 less the aggregate of the interest accrued at the fixed interest rates on the Notes for the period from January 1, 2008 to December 31, 2008. In recognition of the continuing difficult market conditions facing the Company the interest rate was reduced to 5% per annum for the period from November 13, 2008 to January 15, 2009 and was further reduced to 0.1% per annum for the remainder of 2009. The rate reverted back to 13.75% per annum at January 1, 2010 however the trustees determined that, with the continuing challenges in the Company's business, it was in the best interests of the Fund, as the sole noteholder, to approve a reduction in the 2010 Base Interest Rate for an effective interest rate of 1.06342% per annum. The trustees determined that, with the continuing challenges in the Company's business, it was in the best interests of the Fund to approve the 2011 interest rate at 0.5% per annum. On maturity, the Company will repay the indebtedness represented by the Notes by paying to the Note Trustee, on behalf of the holders, an amount equal to the principal amount of the outstanding Notes, together with accrued and unpaid interest thereon.

From time to time, the directors of the Company review the status of its assets and those of its subsidiaries and the economic conditions relating to its business and the construction industry in general. If this review, in the opinion of the directors of the Company, indicates that it is unlikely that the indebtedness of the Company evidenced by the Notes could be refinanced on financially equivalent terms and conditions upon maturity thereof, then the Company may, subject to the consent of the Fund and the holders of the Notes by an extraordinary resolution, commence principal repayments on the Notes, such that, in the opinion of the directors of the Company, the Notes will be fully repaid upon maturity. In that event, the available after-tax cash of the Company will be utilized to the extent required to fund such repayments in lieu of dividends on the Common Shares. In addition, if the Company has available cash, but is prohibited from declaring or paying a dividend or reducing its stated capital under applicable laws, the directors of the Company may make principal repayments on the Notes to the extent of such available cash. Otherwise the Notes will not be redeemable at the option of the Company or by the holders therefore prior to maturity.

The Notes are unsecured debt obligations of the Company and are subordinate in right of payment to other direct unsecured indebtedness of the Company and all secured debt of the Company. The Note Indenture provides that any of the following shall constitute an event of default (as defined in the Note Indenture):

(a) default in payment of the principal of the Notes when the same becomes due;

(b) failure to pay the interest obligations under the Notes when the same becomes due, for a period of 30 days;

(c) default under the provisions of any material instrument, indenture, or document evidencing indebtedness which results in a demand for payment or acceleration of payment of a principal amount exceeding $500,000;

(d) certain events of winding-up, liquidation, bankruptcy, insolvency, or receivership;

(e) the taking of possession by an encumbrancer of all or substantially all of the property of the Company;

(f) the Company ceasing to carry on its business, or a substantial or significant part thereof, in the ordinary course; or

(g) default in the observance or performance of any other covenant or condition of the Note Indenture and the continuance of such default for a period of 60 days after notice in writing has been given by the Note Trustee to the Company specifying such default and requiring the Company to rectify the same.

The Note Indenture also provides that the Note Trustee shall not take steps or actions with respect to an event of default without the prior consent of the Fund, so long as the Fund holds, directly or indirectly, at least 25% of the aggregate principal amount of the outstanding Notes. Certain other provisions under the Note Indenture require the prior consent or authorization of the Fund so long as the Fund holds, directly or indirectly, at least 25% of the aggregate principal amount of the outstanding Notes.

Distribution Policy

It is the Company's policy to distribute all of its distributable cash, subject to applicable laws, by way of monthly and quarterly payments and distributions on its securities, after: (i) satisfaction of its interest (including interest payable monthly on the Notes, interest payable quarterly on the secondary notes, if any, and interest payable in respect of drawings under the Credit Facilities, as described below) and other expense obligations; (ii) making principal repayments of senior indebtedness, and any required principal repayments on the Notes and secondary notes, if any, and any other principal repayments in respect thereof considered advisable by the board of directors of the Company with the consent of the Fund and the holders of the Notes by an extraordinary resolution; (iii) provisions for maintenance and other recurring capital expenditures in respect of the Company's plants and assets; and (iv) retaining such reasonable working capital reserves as may be considered appropriate by its directors.

CREDIT FACILITIES

Wells Fargo (Formerly Wachovia) Senior Credit Facility

On March 25, 2010, the Fund entered into new senior revolving credit facilities. The three year, $35 million senior secured revolving credit facility, ("Senior Credit Facility"), led by Wells Fargo Capital Finance Corporation, replaces the Fund's previous senior credit facilities. Under the terms of the Senior Credit Facility, up to $35 million may be borrowed for operating requirements in Canadian and US currency. Interest is charged at variable rates based on the Canadian and/or US prime rate and the Canadian B.A. and/or Euro dollar rate. The Senior Credit Facility matures on March 25, 2013.

The amount available under the Senior Credit Facility is limited to the amount of the calculated borrowing base less a minimum availability of $2,500. The borrowing base is calculated as 85% of eligible receivables, plus the lesser of (a) 85% of the net orderly liquidation value of inventory and (b) 65% of eligible inventory.

The Senior Credit Facility has financial tests and other covenants with which the Fund and its subsidiaries must comply. Quarterly, the Fund is required to meet a rolling 4 quarters defined fixed charge coverage ratio of 1:1 if the availability on the Senior Credit Facility falls below $7.5 million. As well, the Senior Credit Facility contains restrictive covenants that limit the discretion of the Fund's management with respect to certain business matters. These covenants place restrictions on, among other things, the ability of Fund's operating subsidiaries to incur additional indebtedness, to create liens or other encumbrances, to pay dividends or make certain other payments, investments, loans and guarantees and to sell or otherwise dispose of assets and merge or consolidate with another entity.

As at December 31, 2010 the Fund was in compliance with all of its financial covenants on the Senior Credit Facility.

GE Credit Facilities

On February 10, 2009, the Fund received a written notice of default from its senior lenders under its credit facilities ("GE Credit Agreement"). The notice of default was the result of non-compliance with its current debt services ratio covenant and triggered the notice of default under the senior credit facilities. In addition subsequent to the notice of default it was determined that the Fund was not in compliance with covenants in respect of distributable cash and inter-company notes.

On March 27, 2009 the Fund received a waiver for the financial covenant default as well as the other defaults identified subsequent to the initial default relating to distributable cash and inter-company notes. The GE Credit Agreement, among other things, removed a covenant that required the Fund to maintain a debt service coverage ratio of not less than 2.5 to 1 and now contains a financial covenant that requires the Fund to maintain minimum cumulative 12-month EBITDA values through February, 2010. The GE Credit Agreement reduced the Canadian dollar revolving facility from $44.5 million to $35 million and reduced the US dollar revolving facility from US$44 million to US$35 million, with further reductions to $30.5 million on August 1, 2009 and to $28.5 million on November 1, 2009 for both facilities. As well, the term of the credit facilities was revised to mature on March 27, 2010.

On May 29, 2009 the Fund announced that as a result of continuing difficult market conditions, it was out of compliance with its EBITDA covenants under the senior credit facilities for the month of April 2009 and received written notice of default from its senior lenders on June 8, 2009.

As part of the recapitalization efforts, the Fund, through its operating subsidiaries, entered into limited waiver and amendment agreements with its senior lenders dated November 26, 2009, ("GE Credit Amendments") pursuant to which the senior lenders waived the above noted events of default under the GE Credit Agreements. . The GE Credit Amendments, among other things, permitted the issuance of the Debentures, reset the financial covenants and formalized a block against the available credit of $1.75 million. In addition, the GE Credit Amendments provided that the proceeds from the issuance of the Debentures will be used to reduce amounts outstanding under the senior credit facilities at the time. As a result of entering in to the GE Credit Amendments all previously known and reported defaults under the Fund's credit facilities were cured and the Fund was consequently in compliance with its lenders.

As described above, the raising of funds under the Debentures and Private Placement occurred between the fourth quarter of 2009 and the first quarter of 2010 and raised a total of $19.75 million. The proceeds on the Private Placement Debentures of $9.75 million, less fees of $1.1 million, were received in 2009 and were used to reduce outstanding indebtedness on the revolving credit facilities. The proceeds coming from the funds raised on the

Rights Offering of $10 million, less fees of $1.1 million, have been also applied, in 2010, to the revolving lines of credit and for general working capital expenditures.

Under GE Credit Agreements, the interest rates were:

- US dollar revolving facility: advances under the facility will bear interest at an index rate plus applicable margin or the 90 day LIBOR, plus applicable margin the choice of which is at the discretion of the Fund.
- Canadian dollar revolving facility: advances under the facility will bear interest at the Canadian prime rate plus applicable margin or the banker's acceptance rate plus acceptable margin, the choice of which is at the discretion of the Fund.

The amounts available under the credit facilities were limited to the amount of the calculated borrowing base. The borrowing base is calculated as 85% of eligible receivables, plus the lesser of (a) 85% of the net orderly liquidation value of inventory and (b) 65% of eligible inventory. The GE Credit Agreement contained restrictive covenants that limit the discretion of the management with respect to certain business matters. These covenants placed restrictions on, among other things, the ability to incur additional indebtedness, to create liens or other encumbrances, to pay dividends or make certain other payments investments, loans and guarantees and to sell or otherwise dispose of assets and merge or consolidate with another entity.

MARKET FOR SECURITIES

The Fund's Units are listed for trading on the TSX under the symbol "TIL.UN". The Debentures are listed for trading on the TSX under the symbol TIL.DB and began trading on February 4, 2010. The Rights were listed and traded on the TSX under the symbol TIL.R from the period beginning on December 24, 2010 on a "when-issued basis" and ending on January 27, 2010.

Month	Unit Price		Volume of Units Traded
	Low	High	
January, 2010	0.45	0.62	649,256
February, 2010	0.40	0.49	306,395
March, 2010	0.425	0.54	286.575
April, 2010	0.49	0.65	870,636
May, 2010	0.405	0.56	423,569
June, 2010	0.35	0.49	397,812
July, 2010	0.34	0.38	291,894
August, 2010	0.305	0.58	682,426
September, 2010	0.33	0.395	375,348
October, 2010	0.365	0.41	310,544
November, 2010	0.325	0.445	613,050
December, 2010	0.26	0.345	821,399

The Fund has issued the following securities during the 12-month period prior to the date of this annual information form:

Date	Price per Security ($)	Number and type of securities	Reason for issuance
January 25, 2010	0.50	4,463 Units	Issuance under Long Term Unit Incentive Plan
February 18, 2010	0.50	800 Units	Issuance pursuant to a Debenture conversion
March 15, 2010	0.51	1,218 Units	Issuance under Long Term Unit Incentive Plan
April 9, 2010	0.50	89,800 Units	Issuance pursuant to a Debenture conversion
April 14,2010	0.50	50,000 Units	Issuance pursuant to a Debenture conversion
April 19, 2010	0.50	420,000 Units	Issuance pursuant to a Debenture conversion
April 22, 2010	0.50	170,000 Units	Issuance pursuant to a Debenture conversion
May 27, 2010	0.50	12,691 Units	Issuance under Long Term Unit Incentive Plan
June 11, 2010	0.50	200 Units	Issuance pursuant to a Debenture conversion

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

From time to time we are involved in ordinary routine litigation common to companies engaged in our line of business. Currently, we are not involved in any material pending legal proceedings or regulatory actions. To the knowledge of our management, no legal proceedings or regulatory actions of a material nature involving us have been threatened by any third party.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

In conjunction with the Recapitalization Transaction, Futura, Marret on behalf of certain investment funds managed by Marret, Arbutus, (collectively with Futura and Marret, the "Investors") and the Fund entered into an investment agreement dated August 13, 2009, as amended (the "Investment Agreement"). The Investment Agreement governed the terms of the Private Placement, pursuant to which Futura and Marret each purchased $3,750,000 aggregate principal amount of Debentures and Warrants to purchase 1,875,000 Units and Arbutus purchased $2,250,000 aggregate principal amount of Debentures and Warrants to purchase 1,125,000 Units. Amar S. Doman, Chairman and a trustee of the Fund, is also President and Chief Executive Officer of Futura and Harry Rosenfeld, a trustee of the Fund, is also Executive Vice President of Futura.

Investors' Rights Agreement

As part of the Private Placement, the Fund entered into an investors' rights agreement (the "Investors' Rights Agreement") dated November 26, 2009 with the Investors pursuant to which the Fund provided additional covenants in favour of each Investor, including the right to each nominate one (or, in the case of Futura, two) of the Fund's trustees provided that it continues to hold at least 10% of the outstanding Units of the Fund (after giving effect to the conversion of all Debentures held by such Investor). The Investors' Rights Agreement also provides that for so long as each Investor holds at least 10% of the outstanding Units, after giving effect to the conversion of all Debentures held by such Investor, the Investor will have a pre-emptive right to acquire up to that number of Units, securities convertible into Units or other equity securities of the Fund as will enable the Investor, on completion of such offering of securities, to maintain its then current proportionate interest in the Fund after giving effect to the conversion of all Debentures held by such Investor, at the same percentage as that which existed immediately prior to the completion of such issuance.

The Investors' Rights Agreement also provides that, subject to certain restrictions with respect to black-out periods, so long as an Investor holds at least 10% of the outstanding Units, after giving effect to the conversion of all Debentures held by such Investor, such Investor shall have the right to request in writing that the Fund file a prospectus with its principal regulator to qualify the distribution by such Investor of Units it intends to dispose of in Canada. Within three business days after the receipt of such written request, the Fund shall: (i) give written notice thereof to the other Investors; and (ii) subject to certain provisions relating to underwritten offerings, offer such other Investors the opportunity to include in such prospectus offering all of the Units held by such other Investors.

MATERIAL CONTRACTS

The following are the contracts, other than contracts entered into the ordinary course of business of the Fund or the Company, that are material to the Fund and the Company and that were entered after January 1, 2002 and which are still in effect:

(1) The Declaration of Trust of the Fund dated September 30, 2002, as amended and restated - see also "*Description of the Fund*";

(2) The Note Indenture of the Company dated November 12, 2002– see "*Share and Loan Capital of the Company*";

(3) Indemnity Agreements entered into by the Fund and the Company in favour of each of the Trustees;

(4) The Investment Agreement dated August 13, 2009, as amended, among The Futura Corporation , Marret Asset Management Inc. on behalf of certain investment funds managed by Marret, Arbutus Distributors Ltd. and the Fund– see "*Interests of Management and Others in Material Transactions"*;

(5) The Investors' Rights Agreement dated November 26, 2009, among Tree Island Wire Income Fund, The Futura Corporation, Marret Asset Management Inc. and Arbutus Distributors Ltd. – see "*Interests of Management and Others in Material Transactions"*;

(6) Forbearance Agreements dated November 25, 2009 with Stemcor Australia Pty Ltd. and Stemcor USA Inc. – see "*General Development of the Business – Three Year History and Significant Acquisitions – Recapitalization Transaction"*;

(7) Forbearance Agreements dated November 25, 2009 with Coutinho & Ferrostaal GmbH and Coutinho & Ferrostaal Ltd. – see "*General Development of the Business – Three Year History and Significant Acquisitions – Recapitalization Transaction"*;

(8) The Proceeds Sharing Agreement dated November 26, 2009 among the Fund, Stemcor Australia Pty Ltd., Stemcor USA Inc., Coutinho & Ferrostaal GmbH and Coutinho & Ferrostaal Ltd. – see "*Description of the Fund – Debentures - Subordination"*; and

(9) The Trust Indenture dated as of November 26, 2009 between the Fund and the Valiant Trust Company– see "*General Development of the Business – Three Year History and Significant Acquisitions – Recapitalization Transaction"*;

(10) Credit Agreement, dated March 25, 2010, among Tree Island Industries Ltd., as Canadian Borrower, Tree Island Wire (USA), Inc, as U.S. Borrower, Tree Island Wire Holdings (USA), Inc., Tree Island Wire Income Fund, Wachovia Capital Finance Corporation (Canada), as Agent for the lenders, the other credit parties signatory thereto and the lenders signatory thereto – see "*Credit Facilities";*

(11) Guarantee, dated March 25, 2010 between Tree Island Wire Income Fund and Wachovia Capital Finance Corporation (Canada) – see "*General Development of the Business – Three Year History and Significant Acquisitions – Recapitalization Transaction*".

(12) The Subordination and Intercreditor Agreement dated March 26, 2010 among the Fund, certain of its affiliates, its senior lenders and the Debenture Trustee – see "*Description of the Fund – Debentures – Interest*";

(13) First Supplemental Trust Indenture, dated October 29, 2010, between Tree Island Wire Income Fund and Valiant Trust Company – see "*General Development of the Business – Three Year History and Significant Acquisitions – Recapitalization Transaction*";

(14) Amended Forbearance Agreements dated January 31, 2011 with Stemcor Australia Pty Ltd. and Stemcor USA Inc. – see "*General Development of the Business – Three Year History and Significant Acquisitions – Recapitalization Transaction*";

(15) Amended Forbearance Agreements dated January 31, 2011 with Coutinho & Ferrostaal GmbH and Coutinho & Ferrostaal Ltd. – see "*General Development of the Business – Three Year History and Significant Acquisitions – Recapitalization Transaction*";

Copies of these agreements are available at www.sedar.com.

TRANSFER AGENT AND REGISTRAR

Units - Computershare Trust Company of Canada; Vancouver and Toronto

Debentures – Valiant Trust Company, Vancouver and Edmonton

EXPERTS

As at December 31, 2010, the independent auditors of the Fund and the Company were Ernst & Young LLP. The report of the auditors on the financial statements for the fiscal year ended December 31, 2010 has been filed on www.sedar.com with the securities regulators. Ernst & Young LLP are independent of the Fund in accordance with the rules of professional conduct of the Institute of Chartered Accountants of British Columbia.

ADDITIONAL INFORMATION

Additional information, including principal holders of our securities and executive compensation, is contained in the Fund's most recent Information Circular filed with the provincial securities commission which can be found at www.sedar.com.

Financial information concerning the Fund and Tree Island is contained in the Fund's comparative consolidated financial statements and related management's discussion and analysis for the year ended December 31, 2010, which are incorporated herein by reference, and can be found at www.sedar.com.

The Fund will provide to any person or company, upon request to the Chief Financial Officer of Tree Island, one copy of the following documents:

1. the AIF, together with any document, or the pertinent pages of any document, incorporated therein by reference, filed with the applicable securities regulatory authorities;

2. the annual comparative consolidated financial statements of the Fund and Tree Island filed with the applicable securities regulatory authorities for the Fund's and Tree Island's most recently completed fiscal period in respect of which such financial statements have been issued, together with the report of the auditors thereon, related management's discussion and analysis and any interim financial statements of the Fund and Tree Island filed with the applicable securities regulatory authorities subsequent to the filing of the annual financial statements; and

3. the Information Circular of the Fund filed with the applicable securities regulatory authorities in respect of the most recent meeting of Unitholders of the Fund which involved the appointment of trustees.

Copies of the above documents will be provided, upon request to the Chief Financial Officer of Tree Island, free of charge to Unitholders of the Fund. The Fund may require the payment of a reasonable charge by any person or company who is not a Unitholder of the Fund and who requests a copy of such document. These documents are also available electronically on SEDAR at www.sedar.com.

SCHEDULE A

TREE ISLAND WIRE INCOME FUND

AUDIT COMMITTEE TERMS OF REFERENCE

ESTABLISHMENT OF THE COMMITTEE

1. Purpose

The purpose of the Audit Committee is to assist the Board of Trustees of Tree Island Wire Income Fund (the "Fund") and the Board of Directors of Tree Island Industries Ltd. (collectively, the "Board") in fulfilling their oversight responsibilities by reviewing the financial information provided to the unitholders and others, identifying and monitoring the management of the principal risks that could impact the financial reports of the Fund, reviewing the systems of corporate controls that management and the Board have established and monitoring auditor independence and the audit process. The Committee also provides an avenue of communication among the independent auditors, management and the Board. The Fund and Tree Island Industries Ltd., with its subsidiaries, may be referred to collectively as "Tree Island".

The Committee's principal responsibility is one of oversight. Tree Island's management is responsible for preparing the Fund's financial statements and other disclosure documentation required by applicable securities laws, rules and regulations and the requirements of any applicable stock exchange ("Securities Laws"), and the Fund's independent auditors are responsible for auditing and/or reviewing those financial statements. In carrying out these oversight responsibilities, the Committee is not required to provide any expert or special assurance as to the Fund's financial statements or any professional certification as to the external auditors' work.

Nothing in these terms of reference is intended or may be construed to impose on any member of the Committee a standard of care or diligence that is in any way more onerous or extensive than the standard to which all Board members are subject. Although the designation of a Committee member as being financially literate or having accounting or related financial expertise for disclosure purposes is based on that individual's education and experience, which that individual will bring to bear in carrying out his or her duties on the Committee, such designation does not impose any duties, obligations or liability greater than the duties, obligations and liability imposed on such person as a member of the Committee and the Board in the absence of such designation.

While the Committee has the responsibilities set forth in these terms of reference, it is not the duty of the Committee to prepare financial statements, plan or conduct audits, manage the Fund's exposure to risk, certify or guarantee the internal or external audit of the Fund or the Company or to determine that the financial statements and disclosures are complete and accurate and are in accordance with Canadian generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of management and the independent auditors, as applicable. The Committee, its Chairperson and Committee members are members of the Board, appointed to the Committee to provide broad oversight of the financial, risk and control related activities and processes of the Fund and the Company, and are specifically not accountable or responsible for the day to day operation or performance of such activities.

2. Composition of Committee

The Committee shall consist of as many members as the Board of Trustees shall determine, but in any event not fewer than three Trustees, provided that each member of the Committee shall be determined by the Board of Trustees to be independent as defined by applicable Securities Laws, or otherwise within an exemption from the independence requirements under applicable Securities Laws. All Committee members shall be financially literate. For this purpose, financial literacy shall mean the ability of a member to read and understand a set of financial statements that present a breadth and level of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by Tree Island's financial statements. At least one member should have accounting or related financial expertise.

3. Appointment of Committee Members

The members of the Committee shall be appointed by the Board of Trustees annually at the time of each annual meeting of unitholders, and shall hold office until the next annual meeting, or until they are removed by the Board of Trustees or until they cease to be Trustees of the Fund.

4. Vacancies

Where a vacancy occurs at any time in the membership of the Committee, it may be filled by the Board of Trustees.

5. Committee Chair

The Board of Trustees shall appoint a Chair for the Committee. The Chair may be removed and replaced by the Board.

6. Absence of Chair

If the Chair is not present at any meeting of the Committee, one of the other members of the Committee present at the meeting shall be chosen by the Committee to preside at the meeting.

7. Secretary of Committee

The Committee shall appoint a Secretary who need not be a Trustee of the Fund.

8. Regular Meetings

The Chair, in consultation with the Committee members, shall determine the schedule and frequency of the Committee meetings, provided that the Committee shall meet at least four times per year.

9. Special Meetings

The Chair, any two members of the Committee, or the President and Chief Executive Officer of Tree Island (the "Chief Executive Officer") may call a special meeting of the Committee.

10. Quorum

A majority of the members of the Committee, present in person or by telephone or other telecommunication device that permits all persons participating in the meeting to speak to each other, shall constitute a quorum.

11. Notice of Meetings

Notice of the time and place of every meeting shall be given in writing or by e-mail or facsimile communication to each member of the Committee at least 24 hours prior to the time fixed for such meeting; provided, however, that a member may in any manner waive a notice of a meeting and attendance of a member at a meeting is a waiver of notice of the meeting, except where a member attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

12. Agenda

The agenda and information concerning the business to be conducted at each Committee meeting shall, to the extent practical, be communicated to the members of the Committee sufficiently in advance of each meeting to permit meaningful review.

13. Delegation

The Committee shall have the power to delegate its authority and duties to subcommittees or individual members of the Committee as it considers appropriate.

14. Access

In discharging its responsibilities, the Committee shall have full access to all books, records, facilities and personnel of Tree Island.

15. Attendance of Officers at a Meeting

At the invitation of the Chair, one or more officers or employees of the Tree Island may, and if required by the Committee shall, attend a meeting of the Committee.

16. Procedure, Records and Reporting

The Committee shall fix its own procedure at meetings, keep records of its proceedings and report to the Board when the Committee may deem appropriate (but not later than the next meeting of the Board).

17. Outside Consultants or Advisors

The Committee, when it considers it necessary or advisable, may retain, at the Fund's expense, outside consultants or advisors to assist or advise the Committee independently on any matter within its mandate. The Committee shall have the sole authority to retain and terminate any such consultants or advisors or any search firm to be used to identify candidates for the Board, including sole authority to approve the fees and other retention terms for such persons.

ROLES AND RESPONSIBILITIES

1. Overall Duties and Responsibilities

The overall duties and responsibilities of the Committee shall be as follows:

a) to assist the Board in the discharge of its responsibilities relating to the quality, acceptability and integrity of Tree Island's accounting principles, reporting practices and internal controls;

b) to assist the Board in the discharge of its responsibilities relating to compliance with disclosure requirements under applicable Securities Laws, including approval of the Fund's annual and quarterly financial statements together with the Management's Discussion and Analysis;

c) to establish and maintain a direct line of communication with Tree Island's independent auditors and assess their performance;

d) to ensure that the management of Tree Island has designed, implemented and is maintaining an effective system of internal controls; and

e) to report regularly to the Board on the fulfillment of its duties and responsibilities.

2. Independent Auditors

The duties and responsibilities of the Committee as they relate to the independent auditors shall be as follows:

a) to recommend to the Board a firm of independent auditors to be engaged by Tree Island and, if there is a plan to change the independent auditors, review all issues related to the change and the steps planned for an orderly transition;

b) to review, at least annually, with the independent auditors their independence from management, including a review of all other significant relationships the auditors may have with Tree Island and to satisfy itself of the auditors' independence, the experience and the qualifications of the senior members of the independent auditor team and the quality control procedures of the independent auditor.

c) to review and approve the fee, scope, staffing and timing of the audit and other related services rendered by the independent auditors and ensure the rotation of the lead audit partner as required by applicable Securities Laws;

d) to be responsible for overseeing the work of the independent auditors and reviewing the audit plan prior to the commencement of the audit;

e) to review the engagement reports of the independent auditors on unaudited financial statements of Tree Island, if any, and to review with the independent auditors, upon completion of their audit:

   i) contents of their report;

   ii) scope and quality of the audit work performed;

   iii) adequacy of Tree Island's financial and auditing personnel;

   iv) co-operation received from Tree Island's personnel during the audit;

   v) internal resources used;

   vi) significant transactions outside of the normal business of Tree Island;

   vii) significant proposed adjustments and recommendations for improving internal accounting controls, accounting principles and management systems;

   viii) the quality, acceptability and integrity of Tree Island's accounting policies and principles;

   ix) the non-audit services provided by the independent auditors;

   x) the effect of accounting initiatives as well as off-balance sheet structures on Tree Island's financial statements;

and report to the Board in respect of the foregoing;

f) to implement structures and procedures to ensure that the Committee meets with the independent auditors on a regular basis in the absence of management in order to review any difficulties encountered by the independent auditors in carrying out the audit and to resolve disagreements between the independent auditors and management; and

g) to pre-approve the retention of the independent auditor for any non-audit service and the fee for such service.

The Committee may satisfy the pre-approval requirement in subsection 2(g) if:

i) the aggregate amount of all the non-audit services that were not pre-approved constitutes no more than five per cent of the total amount of revenues paid by Tree Island to its independent auditors during the fiscal year in which the services are provided;

ii) the services were not recognized by Tree Island at the time of the engagement to be non-audit services; and

iii) the services are promptly brought to the attention of the Committee and are approved, prior to the completion of the audit, by the Committee or by one or more members of the Committee to whom authority to grant such approvals has been delegated by the Committee.

The Committee may delegate to one or more independent members the authority to pre-approve non-audit services in satisfaction of the requirement in subsection 2(g) provided that the pre-approval of non-audit services by any member to whom authority has been delegated must be presented to the full Committee at its first scheduled meeting following such pre-approval.

3. <u>Internal Control Procedures</u>

The duties and responsibilities of the Committee as they relate to the internal control procedures of Tree Island are to:

a) review the adequacy, appropriateness and effectiveness of Tree Island's policies and business practices which impact on the integrity, financial and otherwise, of Tree Island, including those relating to internal auditing, insurance, accounting, information services and systems and financial controls, management reporting, code of conduct and risk management;

b) review reports from management outlining any significant changes in financial risks facing Tree Island and annually, as at the end of the fiscal year, in consultation with management and the independent auditors, evaluate Tree Island's internal controls and procedures for financial reporting, discuss significant financial risk exposures and the steps management has taken to monitor, control and report such exposures and review significant findings prepared by the independent auditors together with management's responses;

c) review compliance under the Code of Business Ethics;

d) review Tree Island's disclosure controls and procedures, and management's evaluation thereof, to ensure that financial information is recorded, processed, summarized and reported within the time periods required by law;

e) review disclosures made to the Committee by the CEO and the CFO during their certification process for any statutory documents about any significant deficiencies in the design or operation of internal controls or material weakness therein and any fraud involving management or other employees who have a significant role in Tree Island's internal controls; and

f) review any issues between management and the independent auditors that could affect the financial reporting or internal controls of Tree Island;

g) periodically review Tree Island's accounting and auditing policies, practices and procedures and the extent to which recommendations made by the independent auditors have been implemented; and

h) ratify membership of the Disclosure Committee, as required.

4. Public Filings, Policies and Procedures

The Committee is charged with the responsibility to:

a) review and approve for recommendation to the Board:

   i) the annual report to unitholders, including the annual audited financial statements, with the report of the independent auditors, the Management's Discussion and Analysis and the impact of unusual items and changes in accounting principles and estimates;

   ii) the interim report to unitholders, including the unaudited financial statements, the Management's Discussion and Analysis and the impact of unusual items and changes in accounting principles and estimates;

   iii) earnings press releases;

   iv) the annual information form;

   v) prospectuses; and

   vi) other public reports and public filings requiring approval by the Board;

and report to the Board with respect thereto;

b) ensure adequate procedures are in place for the review of Tree Island's disclosure of financial information extracted or derived from Tree Island's financial statements, other than the disclosure described in subsection 4(a) above, and periodically assess those procedures;

c) review with management, the independent auditors and if necessary with legal counsel, any litigation, claim or other contingency, including tax assessments, that could have a material affect upon the financial position or operating results of Tree Island and the manner in which such matters have been disclosed in the consolidated financial statements;

d) review with management and with the independent auditors any proposed changes in major accounting policies, the presentation and impact of significant risks and uncertainties, and key estimates and judgments of management that may be material to financial reporting;

e) review with management and with the independent auditors (i) all critical accounting policies and practices to be used by Tree Island in preparing its financial statements, (ii) all material alternative treatments of financial information within GAAP that have been discussed with management, ramifications of the use of these alternative disclosures and treatments, and the treatment preferred by the independent auditor, and (iii) other material communications between the independent auditor and management, such as any management letter or schedule of unadjusted differences;

f) review general accounting trends and issues of auditing policy, standards and practices which affect or may affect Tree Island;

g) review the appointments of the Chief Financial Officer and any key financial executives involved in the financial reporting process;

h) establish procedures for:

   i) the receipt, retention and treatment of complaints received by Tree Island regarding accounting, internal controls, or auditing matters; and

   ii) the confidential, anonymous submission by employees of Tree Island of concerns regarding questionable accounting or auditing matters.

i) review and approve Tree Island's hiring policies regarding employees and former employees of the present and former independent auditors of Tree Island; and

j) review and approve related party transactions.

TERMS OF REFERENCE AND CALENDAR

The Committee shall review and assess the adequacy of its terms of reference and calendar at least annually and submit any changes to the Board for approval.

Revised: August, 2010