



Tree Island Wire Income Fund

Annual Information Form

March 29, 2012

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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".

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. 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 investors 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, market and business conditions, the cyclical nature of our business and demand for our products, financial condition of our customers, competition, deterioration in the Company's liquidity, disruption in the supply of raw materials, volatility in the costs of raw materials, significant exposure to the Western United States due to lack of geographic diversity, dependence on the construction industry, transportation costs, foreign exchange fluctuations, leverage and restrictive covenants, labour relations, trade actions, dependence on key personnel and skilled workers, reliance on key customers, intellectual property risks, energy costs, un-insured loss, credit risk, operating risk, management of growth, changes in tax, environmental and other legislation, and other risks and uncertainties set forth in our publicly filed materials.

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-IFRS 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 International Financial Reporting Standards ("IFRS") and does not have a standardized meaning prescribed by IFRS. 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 IFRS 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 IFRS and do not have standardized meanings prescribed by IFRS. 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 understanding the ability to sustain or support quarterly distributions. Adjusted distributable cash does not represent cash available for distributions.

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's principal office is located at 3933 Boundary Road, Richmond, British Columbia, V6V 1T8.

Intercorporate Relationships

The chart below shows the Fund's major subsidiaries. The Fund holds a 100% ownership interest in Tree Island, a company incorporated under the laws of British Columbia, The Tree Island's significant subsidiaries, Tree Island Wire (USA) Holdings Inc. and Tree Island Wire (USA), Inc. are incorporated under the laws of the state of Delaware.



During the fourth quarter of 2011, the Board of Trustees approved the wind-down of the non-material operations at the Company's Asian operations, Tree Island International Ltd. and its subsidiaries, as it was determined that the current business model was not aligned with the Company's go-forward strategy. Management and the Board continue to explore options related to the ongoing use of the existing legal entities or otherwise develop the exit strategy; however it has not been finalized and the timetable remains uncertain.

GENERAL DEVELOPMENT OF THE BUSINESS AND THREE YEAR HISTORY

Headquartered in Richmond, British Columbia, the Company is one of North America's largest producers of steel wire and fabricated wire products. The Company produces and sources over 6,000 different products which can be classified into nine broad categories: galvanized wire, bright wire, welded wire concrete reinforcing mesh, bulk nails, collated nails, stucco reinforcing products, fencing products, stainless steel wire, and other fabricated wire products.

The general economic environment and the markets within which the Company operates have been challenging and volatile over the past three years. In response to these conditions, the Company has been focused on improving profitability, improving the Company's financial position, strengthening customer relationships and targeted growth while continuing to manage the business with tight control of costs and working capital.

The result has been an improvement from a gross loss of \$25.0 million in 2009 to a gross profit of \$10.5 million in 2011, a reduction in selling general and administrative expenses from \$21.1 million in 2009 to \$12.4 million in 2011, and a resulting EBITDA increase from an EBITDA loss of \$38.9 million in 2009 to an EBITDA of \$1.3 million in 2011.

To lead the Company forward, on June 2, 2011, the Fund announced the retirement of Ted Leja and appointment of Dale MacLean as the President and Chief Executive Officer effective July 18, 2011. Mr. MacLean was also appointed as a member of the Fund's Board of Trustees effective on that date. Mr. MacLean brings extensive knowledge of marketing, sales, operations and supply chain logistics. Previously, Mr. MacLean served as Executive Vice President and General Manager of Taymor Industries, a leading supplier of decorative and builders' hardware to the North American building products market. In this position, he worked with many of the same clients and distribution channels that Tree Island currently serves. Mr. MacLean's career also includes over two decades with CN Rail and BC Rail where he held progressively senior positions in sales, marketing, customer service, and operations management. Prior to joining Taymor, Mr. MacLean held responsibility for BC Rail's \$325 million Forest Products, Bulk and Intermodal commercial portfolios as Vice President Marketing and Sales.

Other developments during 2011 include:

- **Completion of Remediation on Surplus Land Sale:** During the third quarter of 2009, Tree Island completed the sale of 12.5 acres of surplus lands at the 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 agreement contained a condition whereby \$1.5 million was held in trust to be released upon completion of the agreed upon remediation of the site.

In 2011, the Fund completed the remediation work based on the planned requirements and submitted the results for approval in 2011. In the first quarter of 2012, the Certificates of Compliance were issued.

The Fund had incurred \$1.1 million in remediation costs up to December 31, 2011 and an additional \$0.1 million subsequent to year-end. As agreed with the purchaser of the property, the Fund had been able to draw down and receive \$1.1 million from the funds held in trust in prior periods. The Company has no further requirements or obligations under the purchase and sale agreement.

- **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. This was part of a larger restructuring referred to as the Recapitalization Transaction which is described 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

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reductions in certain of the monthly payments during the period. The Forbearance Agreements and Amendments are available on SEDAR at www.sedar.com.

- **Unit Buy-Back:** On September 2, 2011, the Fund announced that it had received approval from the Toronto Stock Exchange to commence a normal course issuer bid (the "Bid"). The Fund commenced the Bid on September 7, 2011 and, subject to renewal, will terminate the Bid on the earlier of September 6, 2012 and the date on which the Fund has acquired the maximum number of units permitted under the Bid. The Fund may acquire up to 1,825,000 units under the Bid, such number representing approximately 10% of the public float of the Fund's issued and outstanding units at the date hereof. The Fund has no obligation to purchase any units under the Bid. Subject to certain exemptions for block purchases, the maximum number of units that the Fund may purchase on any one trading day is 3,305 units representing 25% of the average daily trading volume for the previous six months. During the year ended December 31, 2011 the Fund purchased 110,500 units at an average cost of \$0.23 per unit, net of commission. These units were cancelled upon being purchased by the Fund.
- **Trade Action Reviews.** During the fourth quarter the US Department of Commerce ("DOC") announced, preliminary antidumping duties on certain galvanized wire imported from China and Mexico and another trade action related to certain nails imported from the United Arab Emirates. The final determinations are expected in second quarter 2012. We are monitoring both cases closely and are in the process of evaluating the potential impacts and opportunities that result from both cases.
- **Adoption of International Financial Reporting Standards ("IFRS"):** The Fund has adopted IFRS effective January 1, 2011 and prepared comparative financial information using IFRS for the year ended December 31, 2010. Prior to the adoption of IFRS, the Fund prepared its consolidated financial statements under Canadian Generally Accepted Accounting Principles ("GAAP"). While the adoption of IFRS has not changed the actual cash flows of the Fund, the adoption has resulted in significant changes to the reported financial position and results of operations of the Fund. Reconciliations between IFRS and Canadian GAAP have been prepared for the comparative 2010 periods to reconcile the financial position, unitholders' equity, statement of operations and comprehensive income (loss). Discussion of these reconciliations and a description of the impact of the conversion to IFRS are available in the Fund's December 31, 2011 consolidated financial statements (Note 24).

Developments from 2009 and 2010 include:

- **New 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") was led by Wells Fargo Capital Finance Corporation (Canada) ("Wells Fargo") and replaced 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:** 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 the Forbearance Agreements discussed above.

The \$19,750,000 aggregate principal amount of Debentures was raised through (i) a private placement (the "Private Placement") and a rights offering ("Rights Offering"). The Private Placement involved the issuance of an aggregate principal amount of \$9,750,000 Debentures and warrants ("Warrants") to purchase an aggregate of 4,875,000 Units to three parties: The Futura Corporation ("Futura"), Marret Asset Management Inc. ("Marret"), on behalf of certain investment funds managed by Marret, and Arbutus Distributors Ltd. ("Arbutus"). This was followed with a Rights Offering to issue \$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 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.

- **Credit:** As a result of the global economic crisis which led to an unprecedented decrease in global steel prices during the later part of 2008 and into 2009, the Company recognized a write-down of \$20.4 million to its inventories and as a result breached its debt services coverage ratio on its senior credit facilities with GE. Although a waiver was granted, the ongoing economic downturn resulted in a further breach in the second quarter of 2009. In both cases, GE did not exercise their rights under the credit agreements.

In November 2009, the Fund, through its affiliates, entered into limited waiver and amendment agreements with GE that among other things, permitted the issuance of the Debentures, reset the financial covenants and consequently, all previously known and reported defaults under the Fund's credit facilities were cured. Concurrently, as described above, the Fund issued Debentures through the Private Placement and entered into the Forbearance Agreements.

DESCRIPTION OF TREE ISLAND'S 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 manufacturing, construction, pulp and paper, mining, agriculture, recycling, oil and gas, transportation, communication and forestry.

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

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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.

Business Strategy

Tree Island's primary objective is to be a leader in the wire industry through maximizing profitability with pricing discipline and targeted growth. Following are the key components of this strategy:

- *Be the supplier of choice.* Customers are increasingly seeking higher service levels and the opportunity to source a wider range of products from fewer suppliers. This is accomplished by providing a broad range of high quality products, ongoing product innovation and high levels of customer service.
- *Pricing Discipline:* The Company's goal is to capitalize on brand strength and high quality products to achieve value-added pricing relative to its competitors. In addition, 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.
- *Targeted Growth:* The strategy involves capitalizing on analyzing and targeting specific markets or product lines for growth. This is accompanied by analysis of profitability by product lines or groups to focus on extracting the highest profit generators in the business and make decisions on addressing less profitable areas.
- *Operational Excellence:* The objective is to promote safety and quality within our operations and run highly efficient and cost effective facilities. This is done by keeping safety first and maintaining process controls that result in high productivity to deliver the expected quality required by our customers. As a result, costs for defective materials, raw material scrap, downtime, and other operating costs are minimized. Complementing this are processes to tightly control and monitor other costs in the organization.
- *Turnover of Working Capital:* The Company's objective for managing the investment in working capital is to maximize the turnover of productive current assets, being accounts receivable and inventories. Cash flow is managed to keep utilization of the revolving credit line as low as practicable to maintain borrowing capacity for when it is needed and to reduce ongoing interest costs. The Company also works with its key vendors to utilize vendor credit where possible and on advantageous terms.
- *Obtain the best price possible for raw materials.* The strategy involves negotiating with alternate suppliers for raw materials and finding the optimum methods of transporting the raw materials to our facilities so as to obtain the best costs possible.
- *Optimize inventory levels:* Inventories are the largest working capital asset for the Company and therefore, optimizing the levels of inventory is important for managing cash flow and to help reduce the impact of raw material price volatility in the Company's earnings. Raw materials are purchased more frequently and in smaller quantities than in past years, with an emphasis on a continuous inflow of inventories to meet production needs and at a cost more closely related to the current market price. Levels of finished goods stocked are regularly monitored and balanced so as to satisfy the objective of keep inventory levels tight without compromising customer needs.

Products

Our product lines include bright and galvanized carbon steel wire, collated and bulk nails, welded wire, stucco reinforcing products, fencing products, stainless steel wire, and other fabricated wire products. We market these products primarily to customers in Canada, the United States and internationally.

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

Markets	Products and Specific End Uses	Region
Industrial/OEM	<p>For the vast and diverse industrial wire segment, Tree Island manufactures both high-carbon and low-carbon galvanized steel wire. We also produce clean and bright wire for our industrial customers and original equipment manufacturers that use the wire to create products ranging from retail display racks to mattresses. Galvanized wire is also used to bind pulp bales and recycled products such as cardboard and plastic.</p> <p>The products are sold direct business-to-business channels as well as through distributor channels.</p>	North America and International
Residential Construction	<p>Tree Island residential products meet the most demanding needs of both the professional construction contractor as well as those suited for the do-it-yourself customer. The products including nails (bulk, collated and packaged nails) stucco reinforcing products are utilized in residential and light commercial construction.</p> <p>The products are sold both to the final retail chain and through distributor channels.</p>	North America and International
Commercial Construction	<p>Structural integrity is of paramount importance in meeting the needs of the heavy construction industry, with applications that include commercial construction, mining, and infrastructure projects and reinforcement. Tree Island has established itself as an industry leader with innovative products such as Structural Welded Wire Reinforcement which is a modern solution with superior reinforcing capabilities. Our products in this area included welded wire concrete reinforcing mesh and other fabricated wire products.</p> <p>The products are sold both direct business-to-business and through distributor channels.</p>	North America and International
Agricultural	<p>Tree Island produces various agricultural products including hi-tensile fencing, barbed wire, vinyl coated wire, bright wire and other fabricated wire products specifically for farming, ranching, and vineyards.</p> <p>The products are sold both to the final retail chain and through distributor channels.</p>	North America
Specialty	<p>Tree Island manufactures stainless steel and superalloy wire and bar for numerous industries, including aerospace, automotive, telecommunications, petroleum, fasteners, food service, construction and chemical processing. Tree Island sets the recognized industry standard for quality and service, with leading edge technology and processes that surpass customer expectations and industry specifications.</p> <p>The products are sold through direct business-to-business channels.</p>	North America

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The following is the Company's percentage of sales by product group for the years ended December 31, 2011 and 2010:

Product Groups	2011 Percentage of Sales	2010 Percentage of Sales
Galvanized Wire	23.9%	23.0%
Bulk Nails	14.4%	18.7%
Bright Wire	11.5%	10.6%
Welded Wire	12.6%	11.9%
Stucco Reinforcing	8.3%	9.2%
Fencing	6.2%	7.7%
Collated Nails	7.7%	5.7%
Stainless Steel Wire	9.8%	9.0%
Other Fabricated Wire	5.6%	4.2%
Total	100.0%	100.0%

Premium Brands

We manufacture our premium brand products internally in our North American facilities, targeting them to customers that seek value, reliability, and high performance. Our premium products are manufactured to consistent, high quality standards that meet customers' needs, ASTM standards and applicable codes. These product lines are available in a broad range of products, are shipped with short lead times; and are backed with full technical support and for consistent and reliable service. Our premium brands and the products offered by each are:

Premium Brands	Markets	Products
<i>Tree Island</i>	Canada and USA	Bright and galvanized wire, bulk and packaged collated nails, welded wire mesh, concrete reinforcing mesh, fencing and stucco reinforcing products.
<i>Halsteel</i>	USA	Collated nails produced in the United States
<i>K-Lath</i>	USA	Wide range of stucco reinforcing products
<i>TI Wire</i>	USA	Bright wire, concrete reinforcing products, cold heading wire, and specialty carbon steel alloy wire.
<i>Industrial Alloys</i>	USA	Stainless steel wire and bars
<i>Tough Strand</i>	Canada and USA	Agricultural fence products including hi-tensile game fence, farm fence, vineyard wire, barbed wire, vinyl coated wire.

Select Brand

Most of our select brand products are externally manufactured, and are limited to high-volume commodity items. Products within this group meet general industry specifications but are not customized to individual customer requirements. Select brand products allow us to enhance our relationship with those customers that require a diverse product line including competitively priced commodity products. These products typically create complementary pull through for our premium brands.

Direct Ship

As a service to our customers, we use our network of suppliers world-wide to source commodity wire products not manufactured by Tree Island and direct ship to our customers.

Markets

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

The percentage of sales for the years ended December 31, 2011 and 2010 derived from our key markets are as follows:

Industry Segment	2011 Percentage of Sales	2010 Percentage of Sales
Industrial / OEM	35.7%	35.3%
Residential Construction	30.0%	33.0%
Commercial Construction	17.2%	14.8%
Specialty	10.1%	9.3%
Agriculture	7.0%	7.6%
Total	100.0%	100.0%

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 and as a result, competition profiles are different 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.

Galvanized Wire and Bright Wire

Along the West coast of North America there are three firms (a regional operation of 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, Israel, South Africa and Mexico largely account for the remainder of our competition in this product line.

Bulk Nails

The principal competition in Canada and the US is imported bulk nails, primarily from Asia and the UAE.. 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.

Welded Wire Concrete Reinforcing Mesh

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.

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Stucco Reinforcing

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 of their product lines. Other competition comes from smaller domestic manufacturers and imports from Asia. Deacero S.A. de C.V., out of Mexico, is an importer of stucco products into the southwest as well.

Fencing

Tree Island's fencing product line 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.

Collated Nails

Imports from China and Dubai came to dominate the North American collated nail market; however, it is uncertain how the trade actions discussed above in the "*Business Development and Three Year History*" section will impact their market share. There is some domestic competition from other producers such as Mid Continent, Senco, Bostitch, and Paslode. Management estimates that Tree Island is one of the larger North American manufacturers of collated nails. 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. 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.

Stainless Steel Wire

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.

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, diversity of products 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 the Company to achieve value-added pricing relative to competitors. The Company has developed strong relationships with major industry participants such as Boise Cascade, Broadleaf/ CanWel Building Materials Group Ltd. ("CanWel"), Home Hardware, Huttig, and Weyerhaeuser. As well, with the wide array of production capabilities, the Company is able to offer its customers a wide mix of products ensuring that the customer is able to obtain most of their wire product needs from Tree Island.
- *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 the five major markets and the Company has a highly diversified customer base, with its largest customer accounting for approximately 4.6% of sales in 2011.

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- *Established competitive wire rod supply.* Carbon steel wire rod is the principal raw material and accounts for approximately 53.5% of the cost of goods sold in 2011 and stainless steel raw materials represents 7.3% of total cost of sales in 2011. The Company negotiates to secure the best possible prices from a number of qualified suppliers either from North America or internationally. The decision on where to buy from depends in part on the cost of freight to deliver the raw materials to our facilities. The Company’s Canadian operations are strategically located on the Fraser River in Richmond, British Columbia, where easy deep-sea access offers freight cost advantages. Our California based plants are also within close proximity to the Port of Long Beach and have good access to rail and highway networks. The sourcing options are constantly evaluated to take advantage of steel and freight markets change.
- *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.

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 sales for 2011 derived from the Company’s primary geographic markets:

Province or State	2011 Percentage of Sales	2010 Percentage of Sales
California	34.8%	29.6%
Alberta	14.6%	13.9%
British Columbia	10.1%	11.2%
Washington	8.1%	8.4%
Ontario	5.1%	6.0%
China & Other International	4.1%	4.8%
Quebec	3.2%	3.1%
Arizona	2.9%	2.6%
Texas	2.5%	2.3%
Other	14.6%	18.1%
Total	100.0%	100.0%

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 2011 the Company’s top twenty customers accounted for approximately 45.3% of sales, with the largest customer accounting for 4.6% of sales.

Raw Materials

Carbon Steel Wire Rod

The Company’s major raw material, carbon steel wire rod comprised 53.5% of the costs of goods sold in 2011 and sourced from the global market and its cost fluctuates with market conditions. The Company purchases its carbon steel wire rod from a number of suppliers. The Company normally has more than a dozen qualified sources at any given time worldwide and as necessary qualifies additional producers of carbon steel wire rod. Over the past three years the Company has sourced carbon steel wire rod from various countries but predominantly from the United States and Mexico. During 2011, the Company sourced carbon steel wire rod from seven suppliers, with 29.5% from its largest supplier and 27.9% from the next largest.

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Tree Island sources 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 or at the Port of Long Beach for the Etiwanda facility. This import wire rod is transported by truck from the port to the plant. The wire rod shipments sourced from domestic wire rod mills are trucked to the facilities or transported by rail.

In 2011, similar to 2009 and 2010, purchases of carbon steel wire rod were in smaller quantities than the historical norms. The smaller order sizes coming from these sources, which are located closer to the Company's manufacturing facilities, enables the Company to hold inventory at a cost more closely related to market price of the Company's finished product and at lower quantities to manage working capital more efficiently.

There are currently trade action reviews from the US DOC affecting imports of wire rod from numerous 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 steel wire rod consumed in the Company's Canadian manufacturing facility or most of the finished materials manufactured from such carbon steel wire rod, which are subsequently shipped to the United States.

Stainless Steel

The next largest raw material component is stainless steel wire rod, which accounted for 7.3% of cost of sales in 2011. 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 2011 the alloy components increased by as much as 18%, causing stainless steel wire rod costs to rise 21% by the end of the year

Zinc

Used in the Company's Richmond facility to make galvanized products, zinc is the third largest raw materials cost for the Company and in 2011 accounted for approximately 3.4% of the cost of sales. In 2011 Tree Island purchased zinc at the LME cash price which ranged from US\$1.11/lb to \$1.02/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. As with the other inventories, the Company's zinc inventory levels are monitored to manage working capital more efficiently.

Operating Facilities

The Fund has four operating facilities of which two are owned (Richmond and Etiwanda) and two are leased (Pomona and Ontario).

Richmond facility

The Richmond facility produces a wide variety of fabricated wire products in its 400,000 square foot plant situated on approximately 36 acres adjacent to the Fraser River in Richmond, British Columbia. The plant contains equipment for the production of fencing products, stucco mesh, welded concrete reinforcing mesh, bulk nails, collated nails, and other fabricated wire products for both for inter-company and external sale. The Richmond plant is certified to the ISO 9001:2008 standard.

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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. This facility is certified to ISO 9001:2008. Conveniently located near the Port of Long Beach, the plant is able to source wire rod domestically or internationally. The Etiwanda facility provides the nail wire for the production of collated nails at the Ontario facility.

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 on December 1, 2016. The facility is certified to ISO 9001:2008. The plant contains wire processing machinery that produces stainless steel wire products including spring wire, lashing wire and cold-heading wire and galvanized steel wire products including a wide range of stucco reinforcing products.

For stainless steel 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. Stainless steel wire rod is sourced both domestically and internationally.

Galvanized wire for stucco products is sourced from the Richmond facility and internationally.

Ontario facility

The Ontario facility manufactures a variety of collated nail products under the Halsteel brand and operates from a 60,000 square foot leased production facility on 5.8 acres of land in Ontario, California. The lease expires on October 31, 2012. 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 materials are bright wire which is primarily sourced from the Etiwanda facility and galvanized wire which is primarily sourced from the Richmond facility.

Production Processes

The production process begins with removing scale from the surface of the rod by either acid cleaning or mechanically de-scaling with sanding belts. 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, wire 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. The finished drawn wire is then processed into our product lines as follows:

- *Bright Wire:* Certain bright wire products require no further processing and are ready for sale after being drawn to specification. Bright drawn wire is also used as a feedstock material for our other products.
- *Galvanized Wire:* Galvanized low and high carbon steel wire is produced from bright 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 a feedstock material for our other products.
- *Concrete Reinforcing Mesh:* Concrete reinforced mesh products are produced in both sheet and coil form from either bright drawn wire or galvanized wire on special purpose welding equipment.

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- *Bulk and Collated Nails:* Over 400 different types of nails are produced from bright drawn wire on high-speed cold forming machines. A controlled length of wire is fed from a carrier into the machine, 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 and placed on pallets on an automated packing line. Plastic strip collated nails and paper tape collated nails are manufactured on special purpose machines using high quality bulk nails.
- *Stucco Mesh:* Woven wire lath and welded wire lath is manufactured from galvanized wire on custom designed high speed machines in both sheet and coil form. The product can be made with or without an attached asphalt paper backing. Other custom equipment uses galvanized wire that is welded into lengths of corner reinforcement.
- *Fencing:* Several types of fencing are manufactured from galvanized wire using specialized equipment. These types include high tensile fixed knot fence, low tensile hinge joint fence, barbed wire and electric fence wire.
- *Stainless Steel:* The production process begins with cleaning to remove contaminants 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 or diamond dies on a wire drawing machine. During this process, speed and temperature are strictly controlled and many of the products require in line annealing in a protective atmosphere to ensure the final product meets predetermined quality standards. The finished drawn wire is wound onto reels or carriers. Stainless steel wire products require no further processing and are ready for sale after being drawn to specification.

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 our comprehensive preventive maintenance program and replacement of worn components in a timely manner ensures a lengthy life of the equipment. 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.

Environmental and Occupational Health and Safety Matters

The Company's 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 and the United States.

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

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due diligence. Audits are periodically done on the EHS management system. The Board of Trustees and 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. The certificate of compliance was received in 2011.

As discussed above, during the third quarter of 2009, the Fund completed the sale of 12.5 acres of surplus lands at its Richmond, BC manufacturing facility. In 2011, the Fund completed the remediation work based on the planned requirements and submitted the results for approval in 2011. In the first quarter of 2012, the Certificates of Compliance were issued.

Employees and Labour Relations

As of December 31, 2011, the Company had approximately 357 employees of whom approximately 64% 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
Etiwanda, CA	35	United Steelworkers of America	September 8, 2013
Pomona, CA	27	United Electrical, Radio and Machine Workers of America	November 9, 2013
Ontario, CA	19	None	n/a
Total	229		

In addition, 39 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.

The collective agreement for the hourly employees of the Richmond plant expires June 30, 2012. 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.

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.

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. 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.

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 continuing volatility of global economic conditions especially as they apply to North America, availability of credit and the significant declines in the US housing market in recent years has significantly impacted demand for the Company's results from operations and financial condition. The Company cannot predict the impact of continuing and future economic weakness in its markets nor the estimated 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 our products decline, or if the cost of raw materials increase, or both, the Company's sales and profitability could be materially adversely affected.

Financial Condition of our Customers

Our customers may be adversely affected by the continued weak economic conditions and consequently negatively impacting their financial condition. Our customers may then reduce their volume of sales, reduce their inventory levels resulting in less predictability of our sales to them and an increase in our credit risk for these customers. The combination of these factors may cause significant fluctuations in our sales, profitability and cash flows.

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, therefore 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. As well, import competition, particularly from manufacturers in Asia, is

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putting pressure on volumes and pricing in certain product lines. There can be no assurance that we will continue to be competitive in the future.

Liquidity, Leverage and Restrictive Covenants

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 Senior Credit Facility, Debentures, and Forbearance Agreements would have a materially adverse effect on the Fund's financial condition, liquidity and results of operations. There are no assurances that the Fund, through its affiliates, will continue to be in compliance with the terms, conditions and covenants of the Senior Credit Facility, the Debentures or the Forbearance Agreements, a breach of which could materially adversely affect the Fund's financial condition, liquidity and results of operations.

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 Senior Credit Facility, Forbearance Agreements 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.

The Fund's ability to make scheduled payments of the principal of or interest on, or to refinance, its indebtedness, under the Senior Credit Facility, Debentures and Forbearance Agreements 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.

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

Supply of Raw Materials

The Company relies on key suppliers for its major raw materials: carbon steel wire rod, stainless steel, and zinc. 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.

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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 raw materials and ensure the raw materials are delivered to the facilities timely and in good condition. Our financial results can be significantly impacted if raw material supplies are inadequate to satisfy our production requirements. As well, trade actions by domestic wire rod producers against offshore suppliers can also have a substantial impact on the availability and cost of imported wire rod. The availability of raw materials for our facilities is also dependent on the availability of means to transport the raw materials from the producer to our facilities which includes shipment via charter ships, trucking or rail routes. If we were unable to obtain adequate and timely delivery of our raw material requirements, we may be unable to manufacture sufficient quantities of our products or operate our manufacturing facilities in an efficient manner, which could result in lost sales and higher operating costs.

Volatility in the Costs of Raw Materials

The primary raw material used to manufacture our products is carbon steel wire rod, which we purchase from both domestic and foreign suppliers. Over the last number of years, there has been increased volatility in the raw material costs of rod producers resulting in increased price volatility for wire rod which has continued through 2011. We do not use derivative commodity instruments to hedge our exposure to changes in the price of wire rod.

The cost of stainless steel wire rod, which is our second largest cost for raw material, 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 market price for zinc along with alloys for the stainless steel wire that the Company consumes can be affected by numerous factors beyond the Company's control, including levels of supply and demand for a broad range of industrial products, substitution of new or different products in critical applications for these metals, expectations with respect to the rate of inflation, the relative strength of the foreign currencies, interest rates, speculative activities, global or regional political or economic crises and sales of metals by holders in response to such factors. If prices should decline below the cash costs of production for our main suppliers and remain at such levels for any sustained period, the producer could determine that it is not economically feasible to continue commercial production and as a result, curtail or suspend operations. The Company does not hedge its price exposure on alloys or the underlying base metals and has not hedged the price exposure on zinc since 2009 and currently is not intending to in the future.

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, which would negatively impact the Company's profitability and cash flow. Additionally, should raw material costs decline, the Company's financial results may be negatively impacted if the selling prices for products decrease more quickly than the Company is able to consume or reduce any higher cost raw materials held in inventory.

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

A large proportion of Tree Island's customers are located in the western United States. In 2011, 53.1% of Tree Island's sales were in the western United States with California being the single largest market representing 34.8% 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.

Dependence on Construction Industry

Approximately 30.0% of the Company's net sales in 2011 were directly related to the level of home construction activity. In addition, 17.2% of sales were related to the commercial and infrastructure markets, resulting in construction accounting for 47.2% of the Company's sales in 2011 (2010 – 47.8%). 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

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.

Foreign Exchange Fluctuations

The Fund's reporting currency is the Canadian dollar, resulting in exposure to foreign exchange fluctuations in particular the US/Canadian dollar exchange rate. The Fund's US dollar-denominated cash, accounts receivable, accounts payable and accrued liabilities, revolving credit facility and long-term debt are exposed to foreign currency exchange rate risk. As well, the Fund has exposure to the US/Canadian dollar exchange rate in its results from operations because of US dollar denominated sales and expenses incurred in the Canadian operation as well as from the translation of the US operations from their functional currency of US dollars to Canadian dollars for reporting purposes. Fluctuations in the Canadian dollar exchange rate against the US dollar can have a material effect on the Company's business, results of operations and financial performance. The Company does not use derivative instruments to hedge its foreign currency exposure.

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. Additionally, the union contract at the Richmond facility expires June 30, 2012. There are no assurances that the Company will be able to obtain agreement with the union.

Trade Actions

As discussed above, the US government announced preliminary determinations in two trade action reviews: one related to certain galvanized wire imported from China and Mexico and another related to certain nails imported from the United Arab Emirates. These actions could have a material negative impact on our financial results as it relates to our ability to import into the United States the named products in these trade actions at commercially competitive prices. We are monitoring both cases closely and are in the process of evaluating the potential impact on our business.

In addition, 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.

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.

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.

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.

Uninsured Loss

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.

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.

Credit Risk

Tree Island is exposed to credit losses in the event of non-payment of accounts receivable of its 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.

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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.

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.

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.

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. In addition, there can be no assurance that Canadian federal income tax laws respecting the treatment of mutual fund trusts will not be further changed in a manner which adversely affects the holders of Units.

Legislation in Canada implementing changes to the income tax treatment of most publicly traded trusts and partnerships (other than certain real estate investment trusts) and the distributions and allocations, as the case may be, from these entities to their investors (the "SIFT Rules") was enacted on June 22, 2007. Under the SIFT Rules, certain income earned by these entities will be taxed in a manner similar to income earned by a corporation and distributions or allocations of such income made by these entities to investors will be taxed in a manner similar to dividends from taxable Canadian corporations. The Fund is considered a specified investment flow-through trust ("SIFT") and, as a result, the Fund and its Unitholders will be subject to the SIFT Rules. The SIFT Rules are effective for taxable distributions made by the Fund after January 1, 2011.

Legislation was issued in 2008 to facilitate SIFT conversions to other forms of organization that occur before 2013. The Trustees of the Fund and management will be reviewing various structures and/or possible modifications to the Fund's existing structure for the Fund prior to 2013. No determination regarding a change to the current trust structure has been made by the Trustees at this time. If the Trustees decide, in the future, to change the Fund's existing structure, the Fund would issue a news release with details of the proposed changes at that time.

There can be no assurance that Canadian federal income tax laws respecting the treatment of mutual fund trusts and SIFTS will not be further changed in a manner which adversely affects the Fund and its Unitholders.

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

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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.

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 will result in 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.

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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, 7,244,700 and 8,500,300 units of the Fund ("Units") respectively, representing approximately 24.7%, 11.0% and 12.9%, 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.

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

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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 (USA) Holdings Inc., 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 counterparties 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 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.

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.

<i>Trustees</i>			
<i>Name and Residence</i>	<i>Principal Occupation</i>	<i>Trustee Since</i>	<i>Units Held as of March 29, 2012⁽³⁾</i>
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	40,542
Theodore A. Leja ⁽²⁾ Washington, USA	Retired President and Chief Executive Officer, Tree Island Industries Ltd.	November 12, 2002	169,593
Sam Fleiser ⁽¹⁾⁽²⁾ Ontario, Canada	President, Tradecap Inc. (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⁾
Dale MacLean British Columbia, Canada	President and Chief Executive Officer, Tree Island Industries Ltd.	July 18, 2011	Note ⁽⁶⁾

(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), Mr. Fleiser and Mr. Leja.

(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 19.2%, 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

(6) Mr. MacLean owns 200,000 Phantom Units issued pursuant to the Fund's Phantom Equity Plan.

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<i>Executive Officers</i>			
<i>Name and Residence</i>	<i>Office Held</i>	<i>Units Held as of March 20, 2011⁽¹⁾</i>	<i>Phantom Units Held as of March 29, 2012⁽¹⁾</i>
Dale MacLean	President and Chief Executive Officer	Nil	200,000
Nancy Davies British Columbia, Canada	Vice President, Finance and Chief Financial Officer	Nil	Nil
Ken Stuttaford California, USA	Vice President, Sales and Marketing	10,104	4,168
Mark Stock ⁽²⁾ 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) Mr. Stock also owns \$24,600 of Debentures— 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. He retired from that position on July 18, 2011 when Mr. MacLean joined Tree Island as President and Chief Executive Officer.

Sam Fleiser – For more than five years prior to January 2, 2012, when he became President of Tradecap Inc., Mr. Fleiser was President of Callidus Capital Corporation, a privately-held financing company.

Dale MacLean – Prior to joining Tree Island in July 2011, Mr. MacLean served as Executive Vice President and General Manager of Taymor Industries, a leading supplier of decorative and builders' hardware to the North American building products market from 2002 until July 2011.

Nancy Davies – Ms. Davies joined Tree Island in 2008 and became VP Finance and CFO in April 2011. Prior to joining Tree Island, she was Vice President Internal Audit at CHC Helicopter Corporation from February 2006 to August 2008.

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.

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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.

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.

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Sam Fleiser - Sam Fleiser is the President of Tradecap Inc., a privately held finance company and prior to January 2, 2012 was President of Callidus Capital Corporation, a privately held finance company that provided 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 25 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.

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Exemptions

Other than as discussed below, during the financial year ended December 31, 2011, 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, 2011 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, 2011, 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, 2011 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, 2011 and December 31, 2010:

	Audit Fees⁽¹⁾	Audited-Related Fees⁽²⁾	Tax Fees⁽³⁾	All Other Fees
2011	\$289,226	\$795	\$122,228	\$3,000
2010	\$376,308	\$835	\$265,784	\$0

(1) "Audit Fees" represent the fees for the audit of the Fund's consolidated financial statements for the years ended December 31, 2011 and 2010 and for the review of the Company's interim consolidated financial statements for the first quarter of 2011.

(2) "Audit Related Fees" relate 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.

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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

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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,

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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).

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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:

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- (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 than 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.

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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

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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

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- (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 constituting 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.

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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 interest rate for 2011 and 2012 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 Fund intends to distribute the interest and dividend income earned by the Fund, less expenses and amounts, if any. 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.

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The significant decline in the market price of steel in the fourth quarter of 2008 resulted in a \$20.4 million inventory write down. This write down 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. No distributions have been paid since January 1, 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

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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 interest rate for 2011 and 2012 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

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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

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 \$2.5 million. 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, 2011 the Fund was in compliance with all of its financial covenants on the Senior Credit Facility.

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. The following tables set forth certain trading information on the TSX for the most recently completed financial year for the Units and Debentures:

Units			
Month	Unit Price		Volume of Units Traded
	Low	High	
January, 2011	0.33	0.38	402,200
February, 2011	0.36	0.43	404,200
March, 2011	0.39	0.50	408,300
April, 2011	0.36	0.42	272,000
May, 2011	0.32	0.37	307,300
June, 2011	0.27	0.36	364,900

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July, 2011	0.29	0.33	70,200
August, 2011	0.20	0.30	271,400
September, 2011	0.17	0.17	258,400
October, 2011	0.17	0.26	135,500
November, 2011	0.17	0.22	301,300
December, 2011	0.17	0.21	856,900

Debentures			
Month	Debenture Price		Volume of Debentures Traded
	Low	High	
January, 2011	95.00	100.00	147,556
February, 2011	97.50	100.00	254,300
March, 2011	99.00	104.99	287,700
April, 2011	100.00	100.01	198,000
May, 2011	100.00	103.00	104,985
June, 2011	100.00	100.62	218,700
July, 2011	96.00	100.10	110,035
August, 2011	66.00	96.55	118,446
September, 2011	83.00	90.00	140,100
October, 2011	70.00	79.00	102,300
November, 2011	66.01	77.00	71,400
December, 2011	69.17	76.00	250,200

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
March 3, 2011	0.41	2,608 Units	Conversion of Phantom Units
March 15, 2011	0.40	7,940 Units	Conversion of Phantom Units
May 12, 2011	0.35	28,695 Units	Conversion of Phantom Units
September 7, 2011	0.30	200,000 Units	Issuance of Phantom Units

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.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Investment Agreement

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.

Transactions with Associated Companies

The Fund sells products to subsidiaries of a company controlled by Futura, CanWel, which amounted to, net of rebates, approximately \$4,507,000 (2010 - \$4,878,000) during the year and trade accounts receivable owing from CanWel is approximately \$140,000 (2010 - \$4,000). Outstanding trade accounts receivable from CanWel at period end are unsecured, interest free and settlement occurs in cash.

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*";

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- (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., as amended from time to time – see *“General Development of the Business and Three Year History – Recapitalization Transaction”*;
- (7) Forbearance Agreements dated November 25, 2009 with Coutinho & Ferrostaal GmbH and Coutinho & Ferrostaal Ltd., as amended from time to time – see *“General Development of the Business and Three Year History – 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 and Three Year History 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 and Three Year History – 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 and Three Year History – 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, 2011, the independent auditors of the Fund were Ernst & Young LLP. The report of the auditors on the financial statements for the fiscal year ended December 31, 2011 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, 2011, 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

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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.

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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

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- 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

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- 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. Internal Control Procedures

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

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- 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 IFRS 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:

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- 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.
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- 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